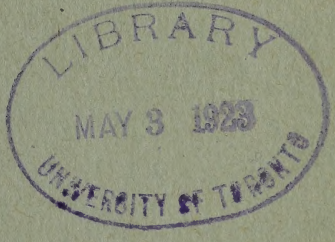
MORE FACTS AND FALLACIES OF COMPULSORY HEALTH INSURANCE

By FREDERICK L. HOFFMAN, LL. D.

Third Vice President and Statistician The Prudential Insurance Company of America, Fellow American Statistical Association, Fellow Royal Statistical Society, Honorary Member Actuarial Society of Switzerland, Member International Actuarial Congress, Associate Fellow American Medical Association, Member American Association for the Advancement of Science, Member Executive Committee National Civic Federation, etc.



A SUMMARY

of Papers read at the National Conference of State Manufacturers, Pittsburgh, Pa., January 11, 1918; Michigan Manufacturers' Association, Detroit, Mich., May 15, 1918; West Virginia Manufacturers' Association, Huntington, W. Va., January 16, 1919; Toledo Academy of Medicine, Toledo, Ohio, March 7, 1919; Eighth Annual Conference of Industrial Physicians and Surgeons, Pittsburgh, Pa., March 14, 1919; Discussions, Committee on Social Insurance, National Civic Federation, New York, May 19 and June 19, 1919; New Jersey Medical Society, Spring Lake, N. J.; June 25, 1919 etc., etc.; materially enlarged, thoroughly revised and brought down to date.

(REVISED FINAL EDITION)

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MORE FACTS AND FALLACIES OF COMPULSORY HEALTH INSURANCE

INTRODUCTION

Progress in popular law-making and the perfection of the principles of administrative policy are vital to the preservation of a truly republican form of government. The ever-present menace to democracy and liberty is the perversion of the legislative function and the disregard of the dictum that ours is a government of law and not of men. The vast gulf which separates autocracy from democracy is no less hopeless of being successfully bridged than the error that similarity in results can be achieved by a people governed in their rights and privileges by the Roman law common to the countries of continental Europe and one governed in their rights and privileges by the English common law, which by our constitution was made the basic foundation of the legal principles which prevail in the United States of America. The freedom which we enjoy is as much in a measure in consequence of the elastic principles of our common law as in consequence of the constitution, which has thus far been found to meet successfully our requirements regardless of profound changes in social and economic conditions. To the "lawmaker" inflexibility no doubt has very considerable advantages, but to the "law-giver" all legislation is essentially a question of principles in conformity to the fundamental law of the land. These observations apply with peculiar force at the present time to the propaganda for so-called compulsory health insurance, which is as un-American as it is unnecessary, and as essentially a product "made in Germany" as any legislative panacea brought forward for the alleged good of the people during a generation or more.*

The propaganda had its origin in the program laid down by the International Association for Labor Legislation, which held its first meeting in Basle, Switzerland, in 1901. At this meeting, as has been the case at all subsequent international gatherings of this kind, Germany was thoroughly well represented, and her official delegates have invariably assumed a leading and often dictatorial position con-

*See the Parliamentary papers published by the British Government on "Medical Benefit under German Sickness Insurance" and "Memorandum on Sickness Insurance in Germany", London, 1911, as a basis for the British National Health Insurance Act, etc.

cerning the subject of social insurance and legislation, national or international, more or less pertinent thereto. The American branch of this association, it is true, did not at the outset seriously concern itself with this question, because of public indifference to what at the time seemed to be merely questions or problems of academic interest. The early agitation was sustained largely by American professors of economics and sociology trained at German universities and strongly imbued with the German viewpoint in matters of social reform. The deplorable state of the employers' liability law and the urgency of far-reaching reforms, ultimately resulting in the practically nation-wide adoption of the principles of workmen's compensation for industrial injuries, did much to encourage a growing interest in a field of social inquiry practically inclusive of every phase of the broader sphere of industrial relations. Insurance principles, so successful in the conduct of private enterprise, were erroneously assumed to be applicable to government measures aiming, openly or in disguise, at government control in matters of labor and industry. The term "insurance" was deliberately misused and misconstrued as the equivalent of labor security in a number of supremely important relations of the individual to society, chiefly respecting the wage-earner and his problems of economic dependence in the event of injury, sickness, invalidity or old age. The insurance element of the so-called German workmen's insurance system never did bear scientific and strictly critical analysis, for, broadly speaking, and quite generally, the system was not based upon the time-honored principle of uniform contributions proportionate to the risk insured against, but was in very fact an arbitrary method of taxation proportionate to the ability of the several elements concerned to bear their respective burdens under a plan ingeniously evolved to disguise the subtle but ever-present element of involuntary servitude.

The literature of what is called "social insurance" is not only immense, but extremely controversial and difficult of impartial interpretation and analysis. Much of it represents exclusively the German official viewpoint, and though a number of commissions of inquiry have visited Germany for the purpose of an impartial study, the results, practically without exception, have been distinctly disappointing. The investigators merely brought back the German official viewpoint, and they were content with superficial observations and equally superficial conclusions on extremely important matters of detail. Of the many thousands of funds and institutions, only one, the so-called Communal Sick Fund of Leipzig, has been reported upon in some detail, but the true viewpoints of both labor and industry have not

been ascertained and are not a matter of record. Since each and every one of the large majority of institutions or funds has now a continuous history of from twenty to thirty years, this omission of a thorough investigation is deplorable, and the more so because the data for an exhaustive inquiry were at all times conveniently available to those familiar with the German language but not under the influence of the German official viewpoint or unconsciously willing to aid the German official propaganda interested in the rapid extension of this form of social insurance to all the countries of the world with which the German Empire previous to the war was in active international competition.

An apparent exception to this conclusion is a small treatise on social insurance from the viewpoint of economic analysis by R. M. Woodbury, Assistant Professor of Economics in the University of Kansas.* This work presents, with an unusual degree of impartiality, many important conclusions adverse to the German system, and it is well deserving of careful consideration, especially on the part of those who are concerned with the effect of such a system on both American labor and American industry. The limitations of Professor Woodbury's inquiry, however, are too obvious to be ignored. The immense number of special reports, the extreme complexity of the law, the widely varying effects of local conditions, the numerous changes in the law during recent years, the practically countless exceptions and modifications all preclude finality on any single question under review, most of all on the economics of a measure primarily designed to produce far-reaching social reforms. Professor Woodbury frankly concedes at the outset that "Social insurance, strictly speaking, is not insurance at all. "That being conceded, there is practically no alternative to the conclusion, in strict conformity to the facts, that social "insurance" in any and all of its branches is merely a modified form of voluntary or involuntary taxation, the incidence of which must, in its final analysis, represent a more or less important factor in the cost of production. In the propaganda for social insurance overemphasis is designedly placed upon the alleged social benefits which it is said, in Germany at least, have accrued to the wage-earners and their dependents; but it is of much more importance to the public to know whether or not a given measure or method of reform is honestly framed and intelligently understood as to the effect of its incidence on the wage-earner's budget and as a factor not only in the cost of living but also in the very political life of the nation itself. If social insurance "is not insurance" in the strict sense of the term, it

*Now with the Federal Children's Bureau.

is merely a pretense of social reform parading under a name which, by common consent, stands for one of the most important thrift functions of the people of every civilized country throughout the world. Since all insurance rests upon a voluntary basis, and to that extent typifies the moral progress of a people, it is a wrongful procedure to apply this term to a government measure in which true social progress is arrested by a sham reform, certain, in course of time, to react disastrously upon the life and the labor of the people concerned.

The propaganda for social insurance, and chiefly that branch of it which in this country has been misnamed "compulsory health insurance," had its origin not with the people, in response to a law-making impulse normal to life in a democracy, but with the American Association for Labor Legislation as a branch of the International Association for Labor Legislation, whose central office from the outset has been at Zurich, Switzerland. The agitation was not initiated by a representative of organized labor or industry, but merely carried forward by a small group of "Social workers" in fateful imitation of German methods of propaganda,* typified by numerous exhibits, etc., at practically every international exposition for twenty years or more. The propaganda is therefore not American in its origin and does not rest upon a sound basis of facts and experience derived from trustworthy sources and suggestive of the urgency of the adoption of the proposed measures on the part of the American people, but evidently upon theory, conjecture and guesswork opinion. The bills providing for the introduction of compulsory health insurance on the part of the several States were not introduced in response to a healthy and active local interest, but in a uniform manner "by request" on the initiative of the American Association for Labor Legislation, with its headquarters in the city of New York. During 1916, according to the official report of the association, some 13,000 copies of tentative drafts of compulsory health insurance measures were widely distributed throughout the several States, and during the same year a so-called "brief" for health insurance was issued, representing ostensibly the results of an exhaustive and impartial investigation on the part of a special committee originally appointed in 1912. The first bills were introduced in the States of Massachusetts, New Jersey and New York. During the legislative session of 1917-18, so-called standard or model

*There are those who deny emphatically and unequivocally that the propaganda for compulsory health insurance had its inception in Germany and is based largely upon German ideas of government and social progress. There can be no better authority than Mr. Lloyd George, who, in his introduction to L. G. Chiozza Money's book on "Insurance versus Poverty," writes that "In Germany the inception of the scheme was not unaccompanied by discontent, unpopularity, and gloomy prophecies. Its success is now triumphant, unquestioned alike by employers and employed. It was from Germany that we who were privileged to be associated with the application of the principle to the United Kingdom found our first inspiration, and it is with her experience before us that we feel confident of the future."

bills were introduced upon the plea that "There is no other measure now before the public which equals the power of health insurance towards social regeneration." There were bills introduced in some twenty States, and references are made to the alleged urgency of the proposed measures in the messages of the governors of Nevada, New Hampshire, Wisconsin, Massachusetts, etc. Special commissions of inquiry were appointed at this time by the States of Massachusetts and California, but, regardless of the nation-wide propaganda fostered and furthered almost exclusively by the American Association for Labor Legislation, not a single bill was enacted into law, nor did a single commission whose report has been made public express itself in favor of the enactment of the so-called "standard bill" or suggest a measure more or less in conformity to its principles and methods of procedure.

The reports of the several legislative commissions are properly deserving of thoughtful consideration. A thoroughly critical review would bring to light much new information urgently required on the part of the public in aid of an effort to bring about a thorough understanding of the true plan and scope of the proposed legislation and the possibility, near or remote, that the benefits aimed at may be achieved at reasonable cost. In strict conformity to the principles which govern in a democracy, the commissions of inquiry should concern themselves with the public viewpoint rather than with the so-called evidence more or less forced upon them by the American Association for Labor Legislation. The first California commission appointed one of the members of the Social Insurance Committee of the American Association for Labor Legislation as its chief investigator, with the result that the report bears too obviously the stamp of partiality and unscientific inconclusiveness. Following the earlier commissions of California and Massachusetts, the subsequent official investigations have been along broader lines, with a due regard to the duty of an inquiry into the facts rather than to a consideration of so-called evidence presented by representatives of the American Association for Labor Legislation. The outlook is therefore distinctly encouraging that a more useful basis of facts and inferences will become available in the near future and that the question will be decided one way or the other to the best interests of the people concerned.

As a fundamental principle of procedure, the new commissions of inquiry have clearly recognized the urgency of utilizing the existing state machinery for the ascertainment of the facts rather than the employment of high-priced experts or specialists from other States. Since in its final analysis compulsory health insurance is primarily concerned with the present health condition of the people, their

economic status, their methods of relief, their forms of insurance and voluntary protection, etc., it is self-evident that the most useful assistance can be rendered, and as a matter of state policy ought to be rendered by the state health departments, state insurance departments, state departments of charities and relief, of labor and industry, etc. In addition thereto invaluable aid should be forthcoming from organized labor, organized industry, and the medical profession, whether organized or not; for upon many medical and related questions the individual judgment of physicians of large experience will be as conclusive and useful as the collective evidence secured through an associated effort by means of a questionnaire, etc. To the extent that the available state machinery of official inquiry is utilized by the state commissions on social insurance now in existence the outlook is distinctly improved that the work of these commissions will contribute materially to the enlightenment of the public upon a large variety of questions of public health and welfare, irrespective of their immediate relation to the proposal for the establishment of compulsory health insurance on the part of the several States.

FIRST REPORT OF THE SOCIAL INSURANCE COMMISSION OF CALIFORNIA, JANUARY, 1917

The report of the *Social Insurance Commission of the State of California* was transmitted to the legislature under date of January 25, 1917. Following a brief historical account, the report presents, first, the findings and recommendations of the commission, amplified by a brief survey of the social and economic condition of California wage-earners, with special reference to health and medical attendance and a more general survey or review of social insurance in foreign countries, the social results of social insurance, the existing facilities for the insurance of wageworkers in the United States, the social insurance movement in the United States and, finally, some estimates of cost, the probable rate of sickness, etc. It is not made clear that there was at the time a well-defined public demand for such an investigation, it being merely intimated in the introduction that "In the spring of 1915, insistent problems of dependency and destitution were called to the attention of the California legislature," and it is pointed out that destitution was a growing social disease, that public relief was at best an undemocratic palliative, and that demands for assistance were increasing at such an alarming rate as to become an intolerable burden upon public funds. If such deplorable conditions really existed, the report of the Social Insurance Commission fails completely in presenting a conclusive statement of the facts.

The work of the commission, on the unanimous advice of "the *Eastern* men and women who had carefully studied social-insurance problems," was concentrated upon health insurance. A "survey" was made, therefore, of the various systems of social insurance at present in operation in different foreign countries involving a special study of compulsory and voluntary subsidized health-insurance systems in fourteen European countries, of the evidence as to the general effect of social insurance upon the economic status of wage-workers in Europe, of facilities available for the insurance of workingmen in the United States, of conditions of employment in California (such as average wages, unemployment and the health conditions of several industrial communities), of the cost of medical aid and hospital care in relation to the earning capacity of the average wageworker, of the existing facilities for the public care of the indigent sick in California (such as available free hospital space, and out-patient

clinics), of the problem of poverty and destitution in California (especially in their connection with sickness), and, finally, of the present extent of voluntary health insurance in California through fraternal orders, trade-unions and commercial insurance companies.

Such a formidable program necessarily required for its successful attainment a considerable staff of qualified investigators, large funds for special research, directing capacity of a high order and an absolutely impartial sense of judicial fairness in the adjudication of the facts and information collected. The report fails conspicuously to present evidence that even a single one of the numerous subdivisions of the program outlined received qualified and sufficiently extended consideration. Most of the so-called evidence presented is merely a restatement of data and conclusions derived from preexisting sources. It does not require a state commission to review the facts or findings of previous investigations conveniently accessible through the reports of the United States Bureau of Labor Statistics, etc. Merely to reaffirm the conclusions of others, whether qualified or not to make an investigation of the compulsory and subsidized health-insurance systems of fourteen European countries, is certainly not "a special study" in the accepted sense of the term. Nor is a mere restatement of the data derived almost exclusively from foreign official sources "evidence," or to be construed as such, regarding "the general effect of social insurance upon the economic status of wage-workers in Europe." As regards the operations of European social-insurance systems, the report of the California Social Insurance Commission merely presents conclusions inadmissible as the impartial findings of a body of experts appointed by the State for the purpose of an original investigation, with a due regard to all the interests concerned and not merely to the prejudiced viewpoint of "Eastern men and women" whose judgment, in the main, seems to have guided the commission in its work.

On the basis of a thoroughly superficial and quite inconclusive investigation of foreign social-insurance systems, the commission concludes that "While no country in the world has as yet succeeded in abolishing poverty, or even destitution, and the need for charitable relief, much has been accomplished towards that goal in several countries by means of the existing social-insurance systems." No conclusive evidence has been forthcoming that social insurance has really been the cause of a diminution in poor-relief. The evidence is that there has rather been a subtle alteration in the methods of such relief. For illustration, in England, old-age poor-relief in the strict sense of the term is now called an old-age pension, paid for not out of the con-

tributions or savings of wage-earners, but entirely and exclusively out of the direct taxation of the public, and much in the same manner as was previously the case with poor-relief in old age. All the investigations which have been made in Germany have been inconclusive as to the question whether social insurance, in any or all its forms, has really been the direct cause of a material or measurable improvement in the social and economic condition of the people concerned.*

This conclusion applies particularly to the alleged influence of social insurance, and especially sickness insurance, on the health and mortality rates of wage-earners and their families. The California commission is not justified in its conclusion, with regard to which it brings forward no convincing evidence, that "social insurance has proved to be a powerful factor for the preservation of life and health, through the 'safety-first' movement, through improved care of the sick and invalids and through regularization of employment." There has been no such "safety-first" movement in foreign countries as has been developed in the United States, based purely on voluntary effort and the active and intelligent co-operation of both employers and employees. It, of course, may be argued that the safety-first movement in this country has for its background the comparatively recent workmen's compensation legislation, and to a certain extent this no doubt is true, but it is a quite erroneous assumption to apply the term "social insurance" to workmen's compensation legislation, in which the insurance factor is, broadly speaking, of quite secondary importance, and, with the exception of a few States, provided for entirely through private enterprise.

Equally misleading is the conclusion advanced by the California commission that "In several countries the increased span of life and improved health conditions are largely ascribed to the influence of social insurance." Any one, of course, may ascribe such changes in longevity to social insurance, but the question is one of fact and correct inference and not of partisan guesswork opinion. In very truth, and as elsewhere conclusively shown,† the improvement in

*"Poverty has not been abolished in Germany. Industrial depression takes its tribute there just as it does with us. . . . . It is, of course, difficult to measure the effect of this legislation or to make accurate comparisons of labor conditions in different countries. There are so many elements involved. And it is hard to portray the exact conditions of the working classes. The German artisan works long hours at exhausting labor; his wages are low in comparison with those which prevail in America; housing conditions are very bad, not only in the city but in the country, and the worker is far from enjoying the freedom of action or the hopeful outlook of this country. Poverty of the most distressing kind still prevails, the life of the people is in many ways poor and sordid, the unrest of the workers and their political demands are all justified by conditions. It would be false to suggest that Germany has made any revolutionary changes in these matters or aimed at a programme of industrial justice or political equality."—See Socialized Germany, p. 202. By Frederic C. Howe, LL.D., New York, 1917.

†See "Facts and Fallacies of Compulsory Health Insurance," by Frederick L. Hoffman, Prudential Press, 1917.

longevity has been more pronounced in this country than in continental Europe, and the present health conditions of our people without social insurance are decidedly superior to those which prevail in the countries in which social insurance previously to the war had attained to its highest degree of intensive development. Improvements in health conditions are largely in consequence of rational sanitary measures primarily conditioned by the modern knowledge of the true nature and causes of the spread of infectious diseases. No health-insurance system is required to improve the health administration of a nation, State or locality, but, quite to the contrary, by offering strong pecuniary inducements to the exaggeration of the importance of minor ailments or the undue prolongation of the period of convalescence, compulsory health insurance is much more likely to hinder health progress than to help it, and that, in any event, has in a measurable degree been the case in the countries in which social insurance had its inception and in which, for reasons of state, it has been raised to the dignity of a new branch of government.

Having previously made no thorough investigation of social-insurance methods and results in foreign countries, the report of the commission quite seriously misstates the facts, when it is said that "After investigation of conditions throughout the United States the commission further finds that," etc. The commission made no investigation of labor and health conditions throughout the United States, but merely accepted such findings as were available through printed sources, made subject to the foreign bias of its chief investigator and more or less deliberately misconstrued for preconceived ends and purposes. Thus, for illustration, the "finding" of the commission that "There has been a decided change in the attitude of American students of economic and sociological problems towards social-insurance methods, so that instead of the general opposition of ten years ago the commission finds among them at present an almost unanimous support of the compulsory social-insurance method of coping with the problem of destitution in this country," and that "Of the experts on economic and social problems consulted the majority agreed that health insurance is the particular branch of social insurance which can and should be developed next in this country," and, finally, that "on the basis of statistical information gathered in its California investigation toward which the greatest part of the efforts of the commission were directed," certain conclusions as to the social and economic condition of California wage-earners are arrived at, which may or may not, according to the point of view, justify the ultimate recommendations of the commission, subsequently to be reviewed. It is not true, as stated by the

commission, that there has been a decided change in the viewpoint of American experts in sociology or economics, for neither has the American Sociological Society nor the American Economic Association ever concerned itself seriously and exhaustively with this question, nor has either ever given public expression to its views on the subject, one way or the other. It may safely be asserted that experts, with few exceptions students of sociology and economics, in this country are as indifferent to the technical and qualified consideration of social-insurance problems at the present time as they were ten years ago. The opinion of the few who have spoken or written on social insurance cannot rightfully be construed as the conviction of the vast majority of men and women earnestly concerned with problems of economics and social policy in this country at the present time.

The commission maintains among its several conclusions that "the earning power of the majority of the wageworkers is not sufficiently high to enable them to go through an attack of serious illness without a very grave hazard to their economic well-being." This statement is so adroitly phrased as to admit of no categorical answer whatever. Theoretically, of course, almost any workman, even in well-to-do circumstances, may find himself confronted by the pecuniary consequences of a prolonged state of illness destructive of his earning capacity, or, on the other hand, because of prolonged illness in his family his savings may be exhausted, the instalment on his mortgage may be unpaid and his other financial obligations may fall into arrears, etc. The law-making power of a government is not concerned with exceptional instances of either social misconduct or social distress. The relief of such cases ever has been and ever will remain a matter of personal concern, of alleviation through private purses, or, in its last resort, a matter of public charity. It is *not* true, however, that the problem of exceptional distress in consequence of prolonged sickness is one of serious concern either to the "majority" of wageworkers in California or to the wageworkers in any other section of the United States.

The "facts" collected by the commission itself, and those presented for the State of California, justify the conclusion that serious illness, or illness of prolonged duration, is rare among California wageworkers, and that the average incidence of sickness is decidedly less than in other sections of the country. Since industrially San Francisco and Oakland are naturally of predominating importance, it is of exceptional interest to find that, according to the commission's own investigation, during the year 1915 among some 1,200 workmen in various establishments of the Bay Cities the average loss of working-

time on account of sickness was only 2.9 working-days per man per annum. Heretofore it has generally been alleged that the average amount of time lost on account of sickness in this country was from seven to nine days. Here is the evidence presented by the California commission (and it may be presumed that they were not seeking for an exceptionally prosperous or well-situated group of wageworkers), that the average amount of sickness in a given group was only about three days per man per annum in the section under review. Yet confronted by facts which to an impartial investigator would have been conclusive evidence of the superior health conditions of California wage-earners or at least of those employed in the Bay Cities, or, strictly speaking, of the comparatively small but representative group of men under review, who as regards health were decidedly above the average, the commission advanced the vague explanation that considered in detail the "distribution of the days of illness gives the real picture of the hardship to the individuals who fell sick." For, they point out, "Almost one-fourth of the total days of sickness were lost by ten men. One man lost almost a half-year's earnings because of sickness. Two others were incapacitated for more than nine weeks." In other words, the previous allegation as to the insufficiency of the earning power of the majority of the wageworkers in the event of prolonged sickness is apparently based upon a single case, in which a man lost almost half of a year's earnings because of a case of sickness of exceptional severity!

Among other conclusions, the argument is advanced by the commission that "the loss of earnings through unemployment is very large, thus materially affecting the annual income." Much of such a loss of earnings is entirely voluntary and a matter of choice to the workman concerned. Some, if not much, of it is unavoidable and no doubt a serious hardship in individual cases where a loss of earnings has not been provided for by previous savings. The problem of unemployment, however, is entirely separate and distinct from the problem of health insurance, except in so far that all European experience is absolutely conclusive that the alleged sickness rate rises invariably and almost in exact proportion to the number unemployed during periods of more or less prolonged unemployment. In other words, a rise in the curve of unemployment is almost invariably followed by a corresponding rise in the curve of alleged sickness. The experience of the Leipzig Communal Sick Fund, which is typical of institutions of this kind, proved quite conclusively that the unemployed take advantage of the facilities of drawing financial support from the sick funds for some alleged illness or other, usually one difficult of precise diagnosis or immediate detection.

It may here be said that the enormous extent of malingering in Germany especially is very inadequately realized in this country and invariably made light of by those who, for some years past, have been so industrially engaged in promoting the propaganda for social insurance on German principles in this country.* In the Leipzig Communal Sick Fund the evil of malingering reached such alarming proportions some years ago that special investigators or home visitors were employed for the purpose of ascertaining the true condition of the patients. During 1914, when the affairs of the fund were but slightly affected by the war, out of 10,447 patients in receipt of pecuniary support on account of their alleged incapacity, 5,542, or 53 per cent., were easily ascertained to be fully qualified to return to work, and 571, or 5.5 per cent. additional, were found to be in a condition in which they were capable of returning to work, and were ordered to do so within the current week for which support was being paid. Of the remainder, 1,008 or 9.7 per cent. were required to have themselves reexamined within a week or two, and only 3,326, or 31.8 per cent., were officially certified to as being unable to work and entitled to support and care in the strict sense of the term. Since practically all German sickness-insurance figures are invalidated by this excessive amount of malingering, the average duration of wage-earners' sickness in that country, or the average number of days' sickness per annum, is invariably found to be materially in excess of the normal amount of wage-earners' sickness ascertained to prevail in this country by impartial and trustworthy means.

In taking up the question of the cost of sickness in California and elsewhere on the Pacific Coast, the commission maintains that the expenses are "considerably heavier than in other parts of the country." This, of course, in a measure is due to the fact that both wages and the cost of living are higher in that section of the country.† In support of that view, a comparison of the standards of payment for medical services with the incomes of a large proportion of the wageworkers leads to the conclusion that the charges, at the ordinary rates of payment, are not beyond the means of a large number of wageworkers, and the commission includes in the text of its report a schedule of

*See "The Failure of the German System of Compulsory Health Insurance," by Frederick L. Hoffman, Prudential Press, 1918.

†The following statement in Fenner's Southern Medical Reports, Volume II, 1850, page 461, is from the editorial introduction to Dr. Logan's Report on the Topography, Climate and Diseases of California:

"Dr. Logan gives a specimen of the *fee-bill* adopted by the Medical Society of San Francisco, which displays the most exorbitant charges probably ever exacted in any country; varying from *thirty-two dollars* for a single visit, up to *one thousand dollars* for the operation for cataract, or trephining. Surely nothing but a community of nabobs inhabiting a region of gold could support such charges; and how strange to think, that whilst one portion of the profession is obtaining such prices for their services, another, perhaps, not less competent, are to be seen working on the streets for a living."

minimum medical fees adopted by the San Francisco County Medical Society under date of March 8, 1898, and the schedule adopted by the Los Angeles County Medical Association under date of April 14, 1910. The inference drawn from these schedules is grotesquely erroneous, for, as the commission could have learned by casual inquiry of any one familiar with the fact, the minimum medical fee for one ordinary visit, stated to be "not less than $5," is practically never charged in ordinary medical cases by any practitioner in the city of San Francisco or its vicinity. It is true that the schedule of fees might have justified such a conclusion, but the schedule was adopted for legal defense purposes rather than for enforcement in the every-day practise of San Francisco physicians. According to the Los Angeles schedule, the minimum fee is given as only $2, and the maximum fee as $5, for advice and treatment in ordinary cases. And this principle of a $2 fee was also incorporated into the schedule of the State Compensation Insurance Fund. There is nothing to indicate in the readily ascertainable facts of medical practise in the State of California that the fees actually charged are exorbitant or out of proportion to the earning capacity of California wageworkers. Of course, exceptions are met with, and cases of extortion on the part of unscrupulous medical practitioners are probably not less common in California than in other States.

On very fragmentary information, limited to some 600 individual working-women in San Francisco and Los Angeles, the further conclusion was arrived at that "the percentage of income expended for medical and dental care was about 4 per cent." In this case, again, overemphasis is placed upon the exceptionally heavy expenditures incurred by a few of the individuals, for it is pointed out that more than 90 per cent. of the total amount expended by the entire group for medical care "was paid out by 21 of their number, while 301, or over 50 per cent. (of the 600), suffered no expense whatever. Of the four women incurring medical bills of more than $300, only one had an earning capacity of more than $12 a week. The remaining three were earning from six to twelve dollars a week; and eight of the seventeen who paid between $100 and $300 for medical assistance received less than $12 a week." The evidence of the commission itself is, therefore, conclusive that even women earning less than $12 a week were receiving adequate medical care regardless of the practical certainty that they would not be able to pay the full amounts charged them. But to argue in favor of an elaborate, costly and burdensome system of social insurance for all the working people of a State because of the exceptional necessities of the very few is clearly a reversion of the ordinary

procedure in matters of every-day business, government and domestic life. The more adequate and even liberal medical care of the deserving few among the comparatively poor or the moderately well-to-do can be much more cheaply and efficiently provided for by other means than through the establishment of a colossal and typically German bureaucratic government organization, resting ostensibly, though certainly not in fact, upon recognized principles of insurance or the law of general average and contributionship.

A similar experience is presented in the evidence of the commission concerning 251 laundresses, who during the year paid out in the aggregate 5.1 per cent. of their earnings for medical and dental care, including drugs and hospital treatment. But almost one-half of the sum expended ($5,738), or $2,291, was paid by eleven women, only one of whom had an earning capacity of over $12 a week. Here again the evidence is quite convincing that, though in a condition of relative poverty, the women under consideration were able to obtain the required medical attendance, etc., though obviously far beyond their available means.

It is readily conceded by the commission that, almost without exception, the illness in a given group affected relatively only a very small proportion. This, of course, is entirely in conformity to the facts of every-day experience, and since good health and the avoidance of sickness are, in a large measure, personal questions, the basis of insurance against sickness rests upon fundamentally different ethical grounds than life insurance against the contingencies of death. The latter is a certain event of uncertain occurrence, whereas the former is a probability, and to an increasing extent, in the majority of cases, a remote possibility. Even in the groups of wage-earners investigated by the California commission, representative of an element living at more or less decided social and economical disadvantages, the large majority experienced no sick losses whatever during the year. If, because of right conduct or because of conformity to recognized principles of personal and public hygiene, the majority of a given group are as a matter of practical certainty removed from the risk of sickness, is it a rational method of governmental procedure to insist upon uniform and life-long contributions from this group for the benefit of the indifferent, the reckless or the careless, as the case may be? Is it in conformity to our conceptions of a democratic form of government that a costly, burdensome and arbitrary system of so-called compulsory health insurance must be brought into existence solely for the purpose of providing more liberal support in sickness, and better medical care for the few whose social and economic status

will remain unchanged, if not made even worse, in consequence of the certainty of indifference to or neglect of agencies or methods which have heretofore proved adequate for the care of the poor in sickness or distress?

In brief, the California commission did not find, regardless of a painstaking effort, the amount of sickness alleged to exist, and it did not establish the social or economic necessity for compulsory health insurance by reference to a few cases proving conclusively an exception to the rule of general social and economic well-being on the part of the vast majority of the wageworkers of the State.

When freed from the confusion arising out of purely speculative considerations of social insurance, the problem of prompt, adequate and efficient medical attendance, in the broadest conception of the term, is unquestionably of the first importance to the people, not only of the State of California but of the United States at large. Some of the information presented by the commission on the subject of the free clinic or dispensary system of California is deserving of most thoughtful consideration. The tendency is unquestionably towards a substantial increase in the public treatment of medical patients, both in hospitals and in dispensaries rather than in the office of the physician or in the home. Concentration of effort must certainly produce far-reaching medical economies and a decided improvement in the results of treatment and after-care. There is something essentially democratic and humane in charity practise in medicine or surgery, where the medical or surgical needs of the individual are paramount, because of the need of life and health conservation, irrespective of his or her economic status, or, in other words, the ability to pay for such services proportionately to their worth. First-class medical and first-class dental care involve, unfortunately too often, an expenditure far beyond the means of the normal income, as best illustrated in the case of modern radiological diagnoses in lung diseases, on the one hand, and the expense of first-class dental treatment, on the other. The burden in such cases falls as heavily upon the moderately well-to-do, if not even more so, as upon the poor. It has well been said that really first-class medical and surgical treatment is available only to the very poor and the very rich. Unquestionably, radical changes in private medical practise will be required to establish medical treatment for the mass of the population upon more rational principles than those followed at the present time. The larger problem of state medicine lies somewhat outside of the present discussion. The effective reorganization of the entire medical profession, however, has been

brought measurably nearer to a conclusion in consequence of the war. There are no reasons why the immediate medical needs of the men on the battlefield should be made subject to different methods or forms of medical administration than the needs of the entire population, or at least of the industrial element in times of peace. Measurable progress has been made in this direction, and many far-reaching reforms have been achieved. As an alternative to compulsory health insurance, a rational system of state medicine, in the broader sense of the term, would provide a decidedly more satisfactory solution. It certainly has been the experience in the army and the navy that a satisfactory class of physicians, surgeons, dentists, eye-specialists, etc., can be had on a salary basis, regardless of the fact that the average compensation allowed has been thought below what would be considered a reasonable standard for successful physicians engaged in private practise. To confuse the medical requirements of the people with more or less involved and often highly speculative insurance considerations is to point to the failure of a given health-insurance measure rather than to its successful achievement in the vast field of social reform.

But it is easy to overrate the importance of sickness in the every-day life of the wage-earner and his family. It is not going too far to maintain that infinitely better results would be secured by concentrating the public interest, collectively and individually, upon the far-reaching possibility of preventive medicine rather than by arousing faith in the efficacy of an institution which, at best, has failed to meet the reasonable expectations of all those most thoroughly familiar with the facts. It is misleading on the part of the California commission to assert that "illness is the most frequently occurring cause for seeking charitable relief." Of course, illness is the most successful means of securing charitable assistance, whether the claim put forward is justified or not. No collective investigation of the true causes of poverty has ever been made in this country, and the available evidence from a large variety of sources is quite conflicting.* In the experience of some relief societies the principal cause has been drink; in others, unemployment; in still others, desertion, etc. Even granting, however, that sickness as a cause of economic dependence is of overshadowing importance, the problem is not met by relief, but by prevention. There is no evidence extant that a single sickness-insurance fund in one of the continental European countries has concerned itself actively and progressively with the problems of local health or disease prevention and control. No evidence has been forthcoming, regardless of all

*Of exceptional value is a recent report on "Poverty in Baltimore and Its Causes," issued by The Alliance of Charitable and Social Agencies, Baltimore, Md.. 1918.

assertions to the contrary, that a single so-called health-insurance bill thus far introduced would provide effectively for the improvement of the public health. In fact, there are the strongest reasons for believing that the establishment of another governmental authority interested or concerned with matters of health, sanitation, disease control, etc., would merely add to the existing confusion and bring about a lowering of the health status of our American communities, which has been attained in consequence of many years of indefatigable efforts on the part of the sanitary authorities and the auxiliary voluntary health activities related thereto.

The commission properly draws attention to deserving cases of pregnancy and tuberculosis insufficiently provided for under the existing conditions. Under a rational system of state medical care the public control of maternity cases would necessarily be a matter of special concern. There is nothing more deplorable than the neglect of women in pregnancy, but frequently such neglect is attributable to false notions of self-pride or to complete ignorance of the foreign-born regarding the public facilities available to those most urgently in need. Commendable progress has been made in the scientific study of the subject of maternity, the after-care of mothers and even prenatal care, as well as the supremely important problem of health in early infancy. The conservation of childhood today is a clearly recognized community responsibility, and the time cannot be far distant when, in response to a corresponding sentiment, there will come about the adequate conservation of motherhood. The local problem in this respect is merely a phase of what is a national question of the first importance, but one in which, unfortunately, heretofore the required public interest has not been forthcoming.

The same conclusion applies to the question of tuberculosis, which in a large measure remains an unsolved problem, and more so perhaps in California than in any other section of the country. A considerable proportion of the tuberculosis cases in California are indigent patients from other States. It is stated in the report of the commission that "in over 11 per cent. of all the sickness cases applying for help tuberculosis was the specific disease." In some sections of southern California, at Monrovia, for illustration, a large proportion, or as much as 60 per cent., of the entire mortality is from tuberculosis. According to a return of the California mortality for the period 1907-11, nearly 10 per cent. of the mortality from tuberculosis was of residents who had been less than one year in the State, but this proportion was only 3.5 per cent. for northern and central California, against 17 per cent. for southern California. In other words, a considerable proportion of

those most urgently in need of qualified medical attention and institutional treatment in the State of California would not be representative of the wage-earning element of the State, being patients in the incipient or the fairly well-advanced stage of the disease, with their legal domiciles in other States. In the absence, therefore, of a national system of compulsory health insurance this element, most urgently in need of medical, pecuniary and institutional care, would still be unprovided for.

On the basis of far-from-sufficient data the truly momentous conclusion is advanced that destitution in California is increasing at an alarming rate, that an annual expenditure of about $2,000,000 for all forms of outdoor relief represents an "alarming total," and, that "it is evident from these figures that sickness among wage-earning families is already putting a tremendous financial burden upon public funds," and that "it is equally evident that this burden has been growing steadily larger." There has unquestionably been a material increase in the expenditures for county outdoor relief, or, specifically, from $303,000 during the fiscal year 1912-13 to $680,000 during the fiscal year 1915-16. In proportion to the population of California, however, this increase represents a change from only $0.116 to $0.235 per capita. There is nothing in the report to indicate that even at the present time the outdoor relief throughout the State is adequate and well adapted to the needs of the indigent population. Certainly as regards public hospital facilities much remains to be done to meet even the most reasonable requirements in many sections of the State. As pointed out by the commission, "only three counties of the State have institutions that are strictly hospitals," and of the remaining counties it is said that the "hospital" is a combination of hospital proper and almshouse. In many of these institutions the equipment and the general housing conditions are so deficient as to make the hospitals of the State Board of Charities and Corrections absolutely unfit for the care of the sick. No system of health insurance anywhere would remedy this lamentable state of affairs. No system of health insurance would be required to provide adequate hospital accommodations in proportion to the population concerned. Even on as low a basis as five beds per 1,000 of population, and including private hospitals managed on a commercial basis, the existing accommodation throughout the State is decidedly deficient. The investigation made by the commission into the hospital situation was neither complete nor conclusive, but sufficient proof is advanced to justify the conclusion that much remains to be done to meet even minimum hospital requirements in many sections of the State. It is needless to say, of course, that private hospital accommodation would be largely

beyond the means of wage-earners and their dependents. This is as true of every other section of the United States as of California. In the absence of sufficient public hospital facilities, some progress has been made in the direction of the development of hospital associations providing institutional treatment for their members at reasonable cost. This development is inadequately described in the report, although of the first importance to a not inconsiderable proportion of the wage-earners of the State. The analysis of the available statistics is faulty, although eighty such hospital associations were found to be carrying on business throughout the State. Most of the members pay about one dollar a month, "in return for which they are entitled to medical and hospital service in the case of diseases not excluded in the contract." Being more or less similar to insurance organizations, the experiences of these hospital associations, or their methods and results, should have been subjected to critical analysis as a really useful contribution to the scientific study of the subject of medical and institutional care. The same conclusion applies to hospitals maintained by large employers of labor, such, for illustration, as the Southern Pacific Hospital, with more than 50,000 members, and the Santa Fe Hospital Association, with some 13,000 members. The statistical analysis of the experiences of these institutions is extremely superficial, for attention is not directed to the fact that cases of less than three weeks' duration were excluded from the experience of the Southern Pacific Hospital, whereas the experience of the Santa Fe Hospital Association includes cases of all durations. This difference naturally accounts in a large measure for the fact that the average duration of treatment per case was 21.4 days in the case of the Southern Pacific Hospital, against only 16.4 days in the case of the Santa Fe Hospital.

Reference is made to the fact that twenty-four of the lumber companies of the State make more or less adequate provision for their employees in the event of sickness, but no descriptive account of these institutions is included, and the important Scotia Hospital Association of the Pacific Lumber Company, referred to in the report as "a very interesting organization," is dismissed with a reference of six lines, regardless of the fact that in addition to giving medical, surgical and hospital service the association provides a cash benefit as well. Furthermore, "This Association is a corporation owned and operated by the employees of the company." A sick employee who is in the hospital more than five days is paid one dollar a day up to seventy-five days of disability. Here is a social institution of exceptional importance to the people of the State dismissed with a brief reference in the text.

In marked contrast, the methods followed in Germany, Austria, Hungary, Luxemburg, Great Britain, Russia, Rumania, Servia, Norway, The Netherlands, Denmark, Switzerland, Sweden and France take up more than fifty pages of the report. A state commission on social insurance concerning itself superficially, if at all, with existing methods of insurance and relief cannot be said to have contributed substantially to the subject-matter of its inquiry by merely reprinting mostly useless information concerning social-insurance institutions in foreign countries, readily available through the reports of the Federal Bureau of Labor Statistics. The commission was not appointed for the purpose of presenting arguments, but for the purpose of ascertaining conditions and of drawing valid and impartial conclusions from trustworthy data more or less sufficient for the purpose. The commission apparently was entirely directed by its chief investigator, not a Californian, but by previous connection with the compulsory health insurance propaganda thoroughly under the influence of an unfair bias, detrimental to the best interests of the people of the State. The commission apparently did not consult or utilize existing state agencies of inquiry, such as the State Board of Health, the State Board of Charities, the State Board of Labor or the State Department of Insurance, each and all of which would have been in position to have rendered substantial assistance in the ascertainment of the facts. If these state departments were consulted or utilized, the evidence of such co-operation was not made a matter of public record.

The most lamentable omission from the report of the commission was the correct ascertainment of the extent to which the wage-earners of California are providing for their own needs in the event of sickness or disability at their own cost. It is said in the report that "a painstaking investigation conducted by the commission disclosed the ways in which wage-earners of California have organized to protect themselves against the losses due to illness," but whatever they may have done or left undone is practically disposed of in fewer than twenty pages of the text. Curiously enough, the statement is made that "in all instances some form of health insurance was the method of protection employed," regardless of the fact that the evidence is otherwise and quite conclusive that probably not more than one-third of the wage-earners considered it necessary to insure against sickness through some form of fraternal organization, labor-union, hospital association, etc. Nevertheless, the data as to the existing amount of protection against the pecuniary consequences of sickness are quite impressive. Almost 300,000 members of fraternal societies, or approximately 35 per cent. of the total membership, were entitled to sick benefits, aside

from other insurance and social advantages. Ten orders, with a membership in 1915 of over 146,000, during the year under review paid out nearly $81,000 on account of sick benefits and other relief measures. The argument is advanced by the commission, but without conclusive evidence to support it, that the great majority of the members represent the better-paid wage-earners, the intimation being that the fraternal societies failed to reach the lower paid labor element, most urgently in need of pecuniary assistance in the event of prolonged sickness, which, of course, is a self-evident fact, and requires no statistical evidence to support it. Men with decidedly insufficient incomes and whose employment is precarious or whose work is more or less casual are not likely to constitute the majority membership of fraternal beneficial societies more or less inclusive of representatives of even the professional element. That such societies do not meet all possible demands that could be made upon them in the event of sickness or disability is an equally foregone conclusion. This fact, however, does not justify the theory advanced by the commission that "the inadequateness of the protection they afford is due, however, not to defects of the fraternal orders, but to the fact that the burden which health insurance should carry and which they are attempting to sustain is too heavy for the wage-earning group alone, even when the method is lawful." Since, in the words of the commission, the membership of the fraternal orders was already representative of the better-paid wage-earners, it would obviously follow that the proposed exclusion of wage-earners with incomes above $1,200 under the proposed compulsory health-insurance system would involve an undue hardship and possibly tend largely to defeat the very purposes of this proposed measure of radical social change.

The provision made by trade-unions for their members in the event of illness is disposed of in less than a single page of the text of the report, or about the same amount of space as is given to the compulsory insurance system in vogue among the wage-earners of Servia. The commission points out that "The fact that trade-unions, with the many other interests which take their attention, organize and maintain a sick-benefit feature, is a real testimonial of the need of health insurance," and it observes that "41 per cent. of the membership of organized labor in California is protected during illness through union action"; yet no more is said about this most important aspect of the whole problem. It would be difficult to find more conclusive evidence of bias and unfairness in any other section of the report or in any other branch of the alleged "investigation of conditions throughout the United States." Holding that "the protection afforded [on the part of

trade-unions] is less adequate to meet the needs of the situation than in the case of the fraternals," the commission presents no evidence which substantiates this conclusion, which, of course, was considered of the first importance, for it should not be such a difficult matter to initiate changes or reforms whereby the sickness-insurance features of trade-unions could at least be raised to the apparently higher status thus far attained by fraternal organizations. Nor is any evidence produced to show that the commission was justified in its final conclusion concerning the sickness-insurance methods of trade-unions that "the burden which health insurance should carry is too heavy for the wage-earning group alone to sustain." The viewpoint of the trade-unionist on this question was apparently not solicited or desired. The argument unquestionably advanced by them would have been that the difficulty could be much more easily met by raising wages than by establishing a burdensome and arbitrary system of compulsory health insurance.

The abbreviated analysis of the sickness-insurance methods of trade-unions in California is so much more regrettable, since half a dozen pages of statistics are appended to the report providing information of a considerable degree of practical usefulness.

One important fact is generally ignored or disregarded by social reformers in their more or less critical attitude towards the social policy of labor-unions. Much more is involved in the persistent struggle for existence and the gradual attainment of a higher standard of labor and life on the part of organized wage-earners than even the most adequate and effective provision in the event of sickness or death. Trade-unionists are thoroughly well aware of the need of insurance protection, but they even more clearly realize it to be the imperative duty of the State to secure to the wage-earners and their dependents the most wholesome conditions of life, as reflected in the lowest attainable rate of sickness and mortality. They do not delude themselves with the fiction that by providing so-called health insurance they have succeeded in raising materially, if at all, the social or economic status of their membership. They are well aware that any and all unnecessary sickness can be and should be eliminated by community action adequately sustained by a liberal health policy on the part of the locality, the State and the nation, as a whole. The memberships of trade-unions have rarely failed to provide at least a minimum of financial support in the event of sickness in branches of industries or occupations exceptionally unhealthful or unduly predisposed to a high death rate. The leaders of the labor-union movement are, therefore, at least for the time being, and rightly so, concentrating their efforts rather upon

higher wages and shorter hours, upon the elimination of unnecessary child-labor and the labor of women in industries unsuitable to the sex, unduly prolonged hours in the continuous industries, nightwork, etc. To the extent that they are successful in these directions they are raising the social and economic status of wage-earners and their families, with a consequent improvement in physical strength, health and longevity. What they have done in their own behalf in this or other countries, and of their own free choice in the direction of voluntary thrift, should be of far more importance to a commission on the investigation of social insurance than what has been done for under-paid and under-nourished wageworkers and their dependents in other countries, such as Germany, Russia or Rumania, as the case may be.

The report of the commission does not present an intelligent or convincing estimate of the probable cost of a system of compulsory health insurance in conformity to the principles incorporated into the so-called standard bills. The "estimates of costs" are largely statistical statements of very limited intrinsic value for the purpose of determining even approximately the probable annual expense to the employees, the employers and the State. The assumed rate of sickness, in the absence of a sufficiently extended inquiry, is merely a matter of conjecture, and the blind reliance placed upon so-called "European experience" is merely additional evidence of the strong European bias characteristic of the report as a whole. The details of the lodge and trade-union experiences more or less utilized are not presented with the required fullness to permit of a critical examination as to the accuracy of the conclusions arrived at. The experience of British friendly societies and of American fraternal orders prove that very little reliance can be placed upon averages of sickness-duration without a thorough knowledge of the underlying administrative principles, which vary widely in all institutions of this kind. Accepting as correct, for illustration, the average duration of sickness in the experience of the Independent Order of Odd Fellows, given as 65 days, it is self-evident that something besides sickness must have been included, for such a high average lies quite outside of the range of normal sickness experience. If it is true that in the lodge experience of California the proportion of sickness per annum was "only 10 per cent., as against 30 per cent., 40 per cent. or even 50 per cent. under some compulsory systems," it would be extremely interesting to have a valid explanation of such a profound disparity in sickness frequency between the State of California and the European countries under social insurance, asserted to have so materially improved the health conditions of the people concerned. If the proportion of persons sick per annum has

been only 10 per cent. it is equally difficult to understand why the average duration of sickness in lodge experience should have been 38 days, unless only the most serious cases of sickness required consideration. That conclusion might readily follow in view of the well-known reluctance on the part of many members to make claims for payment on account of sickness of comparatively short duration. Since the term "sickness" has not been successfully defined in law or insurance practice, much evidently will depend upon the viewpoint adopted in the actual administration of whatever system may be established. The assumption on the part of the commission that "on the basis of all this accumulated evidence a sick rate of six days may be assumed for the purpose of making an estimate of the cost" is of very doubtful validity. A true sick rate of six days per annum is exceedingly low and not likely to be experienced under a liberally administered compulsory health-insurance act. With this experience at the outset the results observed in European countries would unquestionably follow, and the average duration of sickness would continue to rise in proportion as the beneficiaries developed a tendency to rely more and more upon the funds and exact therefrom the largest measure of returns, paid for by their own contributions to the extent of only 40 per cent.

In the absence of trustworthy basic data, one assumption after another is made use of to arrive at the final conjectural estimate of ultimate cost. Provisionally, for illustration, "an average hospital rate of $1.00 per insured" is assumed. Provisionally, "It is felt that by doubling the amount spent in Leipzig, or assigning $2.00 per capita for drugs, sufficient provision is made." Provisionally, "an arbitrary assumption of $1.00 per capita has been made, which is thought sufficient to provide a fund out of which the hygienic care of the teeth may be given to the insured." Estimating the number of persons who would come under the act, in the absence of really trustworthy data, and estimating the probable rate of sickness, which it is frankly conceded represents not sickness exclusively, but rather compensated days of absence from work, and estimating the cost of medical aid, readily conceded to be an even more difficult matter than an estimate of the cost of cash benefits, plus conjectures and estimates as to the cost of hospital care and drugs, without reference to the probable cost of nursing, maternity, etc., the "final computation of cost" for such a system of compulsory health insurance for the State of California as the commission seems to have had in mind is placed at from $17,332,000 to $28,780,000, depending more or less upon the inclusion or the exclusion of the wage-earner's family, and the assumed per-capita expense for medical aid. This total, however, it is pointed out

by the commission, "must not be quoted without many qualifications," such, for illustration, as the inclusion or exclusion of certain special groups of wage-earners, the inclusion or exclusion of certain benefits from the beginning, variations in the cost of the various benefits from the various assumptions made in the computation, the effect of variations in the cost of medical aid, and, finally, the wage-earners' actual participation in the plan, or the continuity of the rate of contributions, or conversely, the rate of lapse or forfeiture, etc. Thus one assumption is followed by another, one conjecture is made to qualify another, leaving no alternative to the fair-minded critic of statistical and actuarial methods than that the entire "computation and cost" will not bear analysis.

The annual cost to the people of the State of California may be easily in excess of $30,000,000 and it may fall below $15,000,000. It all depends upon the strict construction of terms and the more or less rigid enforcement of the law. The California commission assumes a rate of sickness of six days per annum, based, apparently, upon the experience had with some 1,200 wage-earners of the State, whereas the proposed act is intended to include nearly 2,000,000. The wage estimates are largely adjusted upon one hypothesis or another and are not sustained by a qualified analysis of a sufficient amount of pay-roll experience typical of the State of California at the present time. The probable amount of unemployment is more or less a matter of guesswork opinion, and insufficient allowance is made for the very exceptional economic conditions in California on account of the exposition of 1915 and the two or three years preceding it. Maternity benefits to female workers are estimated, in the absence of thoroughly trustworthy data for the State of California, at 16.4 per 1,000 of population. It is then assumed that maternity benefits will be equal to two-thirds of the wages during eight weeks, and it is assumed that the medical aid, including nursing and maternity, "may be estimated at an average of about $25 per case." Thus the "cost per female employee is arrived at to be equal to 35 cents per 1,000 insured." For burials, the "assumed value of benefit of $50 per funeral" is based on an estimate of the mortality rate among employees merely as a matter of statistical conjecture and is not derived from data relating to trustworthy experience. The death rate for males is given as 16.3 per 1,000, while for females the rate is placed at 6.1. "A considerable difference in the death rate between men and women is easily explained by the great difference in age distribution," which may or may not be true under a compulsory system of health insurance. The assumed cost of medical service, placed at from four to six dollars per capita, is

mere guesswork opinion, since the viewpoint of the State Medical Society was not solicited, and the ultimate agreement, if one should come into existence, would unquestionably be in the form of collective bargaining possibly more to the advantage of the medical profession. Regardless of what rate might be adopted at the outset, the tendency would be persistently in the direction of a higher per-capita fee, as best illustrated by the experience of the Leipzig Communal Sick Fund before and subsequent to the present war. In 1887 the per-capita payment was 3 marks per member per annum, including the care of the family. During practically every year thereafter successful efforts were made to bring about an increase in the per-capita payment, reaching 4.50 marks by 1898. During 1904 the medical society secured a further concession by having the fee increased to 5 marks, and by having the wage-earner's family excluded. This was changed again in 1905, when the medical fee was increased to 6.50 marks, further increased in 1911 to 7.25 marks, in 1914 to 7.50 marks, and in 1917 to 7.75 marks. It is stated in the report for 1917 that negotiations were then in progress aiming at a per-capita fee of 8.50 marks during 1918-19. No valid objections can be raised against the proper and even very liberal compensation of the medical profession. No men perform more arduous and exacting duties. No policy on the part of the State could be more detrimental to the welfare of the people than the lowering of the status of the medical profession by the adoption of a scale of payments favorable to an incompetent or mediocre practitioner. If the medical profession should permit itself to be drawn into a system of collective bargaining in the furtherance of a plan of compulsory health insurance, it would seem to be a foregone conclusion that in time the preference would be for a more or less extended state medical service, free from the bureaucratic, arbitrary and largely unnecessary burden of a quasi-insurance institution. The cost of such a system of state medicine could be much more easily assessed in the form of a direct-income tax, collected through the existing state machinery and with the certainty that a very considerable proportion of seemingly unavoidable waste and loss would be avoided. The presentation of assumptions, conjecture and guesswork opinion is not to be construed as the rigid fulfilment of a serious obligation imposed on the part of the State upon a commission appointed for the purpose of making inquiry into a social question of far-reaching importance to the people concerned.

The final computation of cost is the most severe condemnation of the report and of the value or validity of the recommendations made by the commission in the introduction thereto. There is

nothing to indicate that the commission concerned itself in the least with the larger problem of disease prevention, of which so much has been made in the propaganda for compulsory health insurance. No means are indicated by which the death rate of the State would be lowered or by which the existing amount of illness would be reduced. In their observations on the cost of a tuberculosis benefit, reliance is placed upon the experience of the city of Leipzig, regardless of the fact that the tuberculosis problem in Southern California especially concerns a largely indigent population with its legal domiciles in other States. The much praised German Sanatorium treatment for tuberculous wage-earners falls conspicuously below what is being done in this country. The average duration of treatment is less than ninety days, whereas every authority on the subject is on record to the effect that no lasting results can be secured during so short a period of time in other than the most incipient cases of the disease. In the United States the average duration of treatment is nearer one hundred and eighty days than ninety days, as best illustrated by the practice of the Municipal Tuberculosis Sanatorium of the city of Chicago, where some 900 patients are being taken care of in a more satisfactory manner than at any corresponding institution in Germany. For the California commission, therefore, to rely in its calculations upon the experience of the city of Leipzig is merely further evidence of foreign bias, the inconclusiveness of the arguments advanced, and the practical certainty that the results of actual experience, under whatever system of compulsory health insurance might be adopted would prove a most serious disappointment.

None of the recommendations of the California commission are likely to receive the favorable consideration of the people of the State. The report itself, or at least the major portion thereof, was the work of a professional investigator and not the joint labor of the members of the commission, more or less unfamiliar with the subject as a whole or with any one of its essential parts. They therefore say in their recommendations that "To draft even a tentative bill for health insurance in California at this time has seemed to the commission premature." They say further that "While the commission is not ready to discuss details of a system, it is convinced that the form of organization contemplated by the well-known bill of the American Association for Labor Legislation will certainly give rise to certain difficulties which can be avoided through another plan of organization and which must be avoided in a system designed to meet conditions in California." They point out that the plan suggested in the bill of that association "places voluntary

societies at such a competitive disadvantage as practically to bar them out from any participation in health insurance," and furthermore that "Knowing the many difficulties and complexities of its own with which health insurance must grapple, the commission favors a form of organization which does not force employers and employed to join in the administration of the system, and for this reason opposes the plan proposed by the American Association for Labor Legislation, which places the local control of health insurance in the hands of district mutual associations governed jointly by the employers and the employed." Under such a system the commission fears that, "with the administration in the hands of representatives of these two groups, there would be a likelihood of deadlock on disputed issues." For this and other reasons the commission repeats that it is therefore "opposed to the plan of organization suggested in the bill under discussion because the method which provides for selecting those who are to administer the health-insurance system gives no assurance that persons of special fitness or ability will be chosen." How these conclusions were arrived at is not a matter of record in the report itself. The evidence regarding the deliberations of the commission on these essential matters was apparently not considered worth printing.

The section of the report containing the discussion of possible provisions of a health-insurance system for California is apparently a matter separate and distinct from the text of the report, written and prepared, digested and arranged, by the commission's chief investigator as the personal representative of the American Association for Labor Legislation, with its offices in the city of New York; yet, while all the vital provisions of the so-called standard bills promoted by that association were flatly condemned by the California commission, the statement was nevertheless made, and widely disseminated by that association, that "The findings are for the most part in complete harmony with those of the American Association for Labor Legislation, although in two or three particulars, especially that of joint representation of employers and employees in the administration of the funds, the California commission differed from the plan proposed by the association in its standard bill. The latter plan, however, has behind it the authority of successful practical experience in nine European countries, a plan worked out in America by a national committee of social-insurance experts, with the advice and assistance of hundreds of people throughout the United States during the past four years."* In other words, the findings on matters of *fact* by

*Of particular interest in this connection is an article by Edward T. Devine in *The Survey* of October 26, 1918, on "Will California Lead?" The results of the election are, however, not referred to in subsequent issues of *The Survey*. California did "lead," but not as expected by the propagandists for compulsory health insurance.

the California commission concerning conditions in a representative American State are ruthlessly set aside by the self-appointed "experts" of the American Association for Labor Legislation, in fatuous reliance upon the so-called experience of nine European countries, including Russia, Rumania, and Servia. More wisely and to the point the first California commission recommended the careful consideration of the subject by the people of the State, and particularly the question as to the adoption of a constitutional amendment declaring it to be "the policy of the State of California to make special provision for the health and welfare of this class of persons and their dependents whose incomes, in the determination of the legislature, are not sufficient to meet the hazard of sickness. The legislature may establish a health-insurance system applicable to any or all such persons, and for the financial support of such system might provide for contributions, either voluntary or compulsory, from such persons, from employers, and from the State by appropriation." While, therefore, the implication is justified that the commission, in its final conclusion, felt constrained to take a favorable view regarding the possible adoption of a system of health insurance, it left the details of such a plan to the people of the State, as a matter of public policy demanding the most serious and impartial consideration of all concerned in the welfare of the State.*

*For additional information regarding the vote on the proposed Constitutional Amendment see pages 105, 111, 112 and 186.

FIRST REPORT OF THE MASSACHUSETTS SPECIAL COMMISSION ON SOCIAL INSURANCE, FEBRUARY, 1917

Under date of June 1, 1916, a Social Insurance Commission was appointed by the State of Massachusetts, which transmitted its report to the legislature during the month of January, 1917. This commission concerned itself primarily with the problem of poverty and the economic conditions of the wage-earners in Massachusetts, as well as with the general question of sickness or health insurance, existing health insurance agencies and the prevailing amount of sickness throughout the Commonwealth. Since the commission did not make a unanimous report, a concise analysis of the evidence, the conclusions and the recommendations is a matter of some practical difficulty. Aside from the question of insurance, the commission concerned itself also with old-age pensions and unemployment. At the outset the commission directed attention to the causes of poverty, first among which they include feeble-mindedness, insanity, intemperance, low wages, want of vocational training and want of thrift. No really useful conclusions are advanced with reference to these causes or conditioning circumstances; but it is frankly conceded that the paucity of definite information on a number of questions is of serious public concern. The commission points out, for illustration, that "There appear to be no accurate statistics regarding the family incomes of wage-earners," and while it recognizes "that it is normal and desirable that the individual should himself make adequate provision for the hazards of life," it appropriately remarks that there are groups of individuals of insufficient earning power or whose savings have been lost because of a want of natural business training, etc., and that, therefore, "The State which merely counsels thrift to such an individual but mocks him." It gives expression to the unanimous opinion "that the principle of insurance is a desirable one for application on a sufficiently wide scale to safeguard every wage-earner in the Commonwealth from certain of the evils of sickness, unemployment and old-age," but it does not bring forward a feasible plan whereby such a purpose can be achieved in a manner satisfactory to all concerned. It, however, lays down the fundamental principle "that a man who makes a fair attempt to earn, support his family decently and save something shall not under any circumstances be allowed to become altogether destitute or required to accept pauper relief." In this, as well as in many other

important matters, the commission merely restates the clearly recognized problems and difficulties of social and industrial life, some of which, unquestionably, admit of no practical solution. It, nevertheless, is of the first importance that even in its bare outline the statement of a problem should rest upon a reasonably trustworthy basis of fact or qualified opinion, and the commission properly emphasizes the viewpoint, with special reference to sickness or health insurance and existing agencies on account thereof, that "Any legislative consideration of the subject should be based upon a knowledge of conditions as they *now* exist." From such investigations as the commission was in a position to make the conclusion was reached that "there exists already in the Commonwealth a very general appreciation of the value of the insurance principle as a protection against the economic results of illness," and that "there are numerous attempts among wage-earners to apply the principle in various insurance plans." But, unfortunately, as the commission points out, "The results fall very far short of the ideal." The investigations made by the commission were insufficient for the purpose, and the number of wage-earners insured with existing institutions was not ascertained or at the time was not ascertainable. The commission, however, directs attention to the perfectly obvious fact that "the uninsured class includes the highest proportion of the thriftless and of those of very small means." It certainly requires no legislative or other investigation to prove what is a matter of natural inference and common observation in everyday life.

Having found it difficult, if not impossible, to ascertain the existing amount of health insurance, the commission also failed in its attempt to determine the amount of sickness prevailing among the wage-earners of the State. They make use of the data secured by means of a sickness survey of the city of Boston by the Metropolitan Life Insurance Company for two weeks of July, 1916. According to this survey the proportion of sickness was 19.6 persons per 1,000, or not quite 2 per cent. The average number of days sickness per annum, the apparent equivalent of loss of earning power, was placed by this survey for Greater Boston at 7.15 days. The true loss of working-time on account of sickness, which, of course, is not the equivalent of loss of earning power, which may be more or less voluntary, was only 6.6 days per annum.

Aside from the Metropolitan's sickness survey, the commission made use of data provided by the Instructive District Nursing Association of Boston, limited, however, to the present medical care among the very poor. The serious error of practically all such investigations is to concentrate public interest upon the lamentable social or eco-

nomic condition of the very poor, which under no existing health-insurance system can be provided for, except on the basis of systematic contributions as applied to wage-earners of a higher status. As long as any system of insurance is made to rest upon periodical contributions, more or less proportionate to the benefits granted, the very poor by the very fact of their poverty are obviously precluded from continued participation. To relieve the casual laborer or the habitually more or less unemployed from the making of systematic contributions is merely a means of providing a larger amount of poor-relief under the pretense of insurance through general taxation. If the very poor pay 10 per cent. of the total cost of an adequate system of sickness insurance and the moderately well-paid labor element (earning less than $1,200 a year) pays 40 per cent. of the cost, the difference is clearly an economic advantage in the case of the very poor. Such an advantage is poor-relief in precisely the same sense as if it were paid direct through existing poor-law agencies in the form of grants in aid or frankly conceded outdoor relief. However lamentable or deplorable the condition of the very poor may be, it has but a very remote, if any, bearing whatever upon the more successful solution of the social and economic problems of the independent wage-earning element of the people of any given State. The problem of adequate medical relief must necessarily be seriously felt by the very poor. It requires no elaborate inquiry or the findings of a state commission to substantiate this obvious truth. The medical problems of the very poor are widely different from those of the independent wage-earning element, and yet it is persistently argued that the solution of the problems of the latter are to be conditioned by the perplexities and difficulties of the former. They have little in common, and the so-called "vicious circles" of poverty and disease are strictly limited to a small remnant of the population, whose deplorable condition is primarily determined, as pointed out by the commission, by feeble-mindedness, intemperance, low wages, want of vocational training, etc. It is precisely the better physical and mental status, the better habits and higher degree of self-control, the higher wages and lesser amount of unemployment and, last but not least, the higher education and training for industrial or other pursuits that safeguard effectively the independent wage-earner, and chiefly through his own efforts, against the physical and economic consequences of sickness and premature death.

The error which underlies the majority of legislative investigations into the problems of poverty and methods of relief is that attention is directed to the so-called causes of the poverty of those who live below

the readily attainable standard of living, and not to the question as to how and why the vastly larger number of men and women of more or less corresponding intelligence, family connections, industrial status, etc., are living in comfort and economic independence in old-age. Instead of ascertaining the means whereby men and women in their own way and at their own cost raise themselves or maintain themselves above the level of pauperism and the necessity of public support, the official inquiry almost invariably concerns itself with the question as to how a relatively small number of men and women have failed to do so. Now, the truth to be derived from the former is fundamentally constructive, whereas information, however trustworthy, concerning the latter is generally inconclusive and often for all practical purposes useless and inapplicable to the end in view.

Realizing, clearly, the magnitude of the problem and the utter inadequacy of the suggested solution, the commission was unanimous "in *not* recommending any health-insurance legislation for immediate passage." There was a diversity of opinion among the different members, and some, at least, advanced the view that the Commonwealth, "as soon as there has been adequate consideration of the details of legislation, should adopt a general system of health insurance for wage-earners, supported by enforced contributions from employers, employees and the State." Other members of the commission held strongly dissenting views, so that no final recommendations were agreed upon.

The report of the first Massachusetts commission includes an interesting appendix of the probable social and economic cost of sickness among wage-earners in Massachusetts. On the basis of the returns made by labor-unions and fraternal organizations operating in the State, the annual cost per wage-earner on account of sickness was placed at $25.70; but this estimate was largely a matter of conjecture, and in matters of important details, as was the corresponding estimate for the State of California, made practically to rest upon the same theoretical assumptions. Out of 1,425 local labor-unions, 399 made reply to a questionnaire, and of these 129, or 32.3 per cent., were paying some kind of sick-benefit. According to a corresponding return for the year 1908, the proportion of labor-unions which paid sick benefits during that year was 28.5 per cent., so that there was evidently an increase in the tendency on the part of labor-unions to include with other social and economic functions the payment of a stated amount of pecuniary support in the event of sickness, no doubt, however, more or less undefined. The labor-unions which had developed the most satisfactory systems were those of the bakers, barbers, boot and shoe

workers and plumbers. Out of 314 fraternal organizations, only 113 made reply, but of these 73, or 65 per cent. paid a sick-benefit, similar to the method followed by the labor-unions. No satisfactory effort seems to have been made to ascertain the number of employees protected in the event of sickness through some form of voluntary or semi-voluntary establishment organizations. It is said in the report that "From a very hasty perusal of the answers to questions sent to the manufacturers in representative cities, it seemed quite evident that very few of them provided any sort of insurance for their employees, that where they did, generally less than half took advantage of it." It would seem that such an exceptionally important phase of the problem should not have been dismissed with a "very hasty" analysis of the available information, but that adequate and trustworthy information should have been forthcoming, if only as a matter of record for use in connection with subsequent official or private inquiries. The superficial interest on the part of the commission in this most important aspect of their work must be considered exceedingly regrettable.

The final estimate of the so-called economic cost of sickness, which may be assumed to mean the total cost in the form of money loss or payments in consequence of disability for work because of sickness of more or less prolonged duration, was placed in the estimate at not quite $40,000,000, or, to be exact, at $38,770,167. This estimate was based upon the assumption that there were about 1,507,373 persons in the State earning less than $1,200, and that the estimated number of days lost on account of sickness would be 8.5 per person per annum. This estimate, of course, is merely a matter of conjecture, for the data for the State as a whole, if available, might prove a much lower, but in all probability not a much higher, proportion of days lost per annum in consequence of real sickness within a concise and generally acceptable definition of the term.* Having thus first estimated the number of persons of ages eighteen and over gainfully employed and receiving less than $1,200 per annum and having then estimated the probable

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*According to an editorial in *Modern Medicine*, of June, 1919, on the basis of recent studies, "The average length of each disability (in the United States) is about thirty-five days. Of the 6,000,000 who are sick, it appears from the comprehensive data of the surveys that 65 per cent., or 3,900,000, are sick for less than four weeks; 19.7 per cent., or 1,182,000, are sick from four to eight weeks; 6 per cent., or 360,000, are sick from eight to twelve weeks; 3 per cent., or 180,000, are sick for more than six months; and 1.3 per cent., or 78,000, are sick for more than a year." These statistics, though largely a matter of conjecture, are at least suggestive of the probable number of those who may be considered as seriously affected by prolonged sickness. It certainly is not going too far to say that the number of wage-earners seriously disabled by reason of illness, which alone would involve the risk of economic distress or dependency, is relatively small, considering our aggregate population, now estimated at more than 110,000,000.

number of days lost on account of sickness (more or less ill-defined)* per person per annum, the assumption continues by placing the estimated loss in wages at $1.80 per day for six-sevenths of the days previously estimated to be lost on account of sickness by the group, or 12,812,670, would represent $19,468,122 per annum, which is further increased on account of medical cost, placed at $1.00 a day, and therefore being for the total number of days lost $12,812,670. Now, of course, the medical cost per day might be much more than $1.00, and yet under contract it might possibly be less. In addition to the preceding estimates and conjectures, the so-called economic loss, by which is probably meant the loss to other members of the family, or expenditures on account of food, nursing, etc., is placed at 50 cents per day, making an aggregate of $6,489,374. No one familiar with the theory and practice of the sickness branch of insurance is likely to accept any of the foregoing estimates and conjectures as conclusive on so vital a question as the approximate cost to wage-earners of sickness and disability under a well-administered health-insurance or compulsory sickness-insurance system administered jointly by the employees, the employers and the State.

Of interest also is the report of an investigation made by Dr. W. W. Walcott on the sickness-insurance methods of fraternal orders, almost entirely derived from official reports, chiefly records filed with the State Insurance Department. It would seem that such an investigation should have been made by the Insurance Department and not by a physician more or less unfamiliar with the technical aspects of a branch of insurance of exceptional complexity. Dr. Walcott throughout, for illustration, refers to the fraternal orders as insurance *companies*, although any one knows full well that they do not have the legal status of chartered business corporations. For him to say, for illustration, that "These *companies* are composed chiefly of mutual benefit associations," is evidence of his unfamiliarity with the technical status of these institutions. They are therefore interchangeably referred to as "companies," "associations" and "societies." In the appendix of tables, however, the returns of life insurance companies are included, although totally irrelevant to the subject-matter of the inquiry. Some of the details for the more important societies or organizations are of interest, but it is difficult to understand why the name "of a large Pittsburgh plant making electrical

*According to a report made to the County of Ayeshire Insurance Committee, based upon investigations made by medical referees, the effect of national health insurance in that community has been that "of the persons who were examined over 39 per cent. were found fit for work, and if those who resumed work, rather than go before the medical referee, be included, the number who were found fit was increased to over 47 per cent. In other words, nearly one-half of the cases were found fit for work."

(*National Insurance Gazette*, London, March 9, 1918.)

apparatus" should not have been given as a matter of identification, especially when the relief department of this company was considered sufficiently important to be described in full as to all the minor provisions of administration, dues, methods of payment, etc. The report of Dr. Walcott is not a critical analysis of even a single phase of the problem under consideration, and is useful merely on account of some of the facts, especially as regards mutual benefit associations transacting a sickness-insurance business among the foreign-born population. A large portion of the report by Dr. Walcott is a reprint of data collected by Dr. B. S. Warren, at that time in charge of health-insurance investigations for the United States Public Health Service. It is difficult to understand why the Massachusetts commission should not have had the time or opportunity to inquire with thoroughness into the methods and results of the sickness-establishment funds of Massachusetts industries and of Massachusetts wage-earners, but it gave the preference in its deliberations to more or less superficially presented data concerning a number of industrial plants, or employees connected therewith, in the Middle West.

The report of the Massachusetts commission is conclusive evidence that no real necessity for an investigation was found to exist, that neither the problem of poverty nor of sickness was of paramount importance at the time and that the proposed solution through compulsory health insurance had not commended itself to the impartial judgment of the majority of the membership on such findings of fact and general inference as the commission as a whole had been able to make.

Since the report was issued, a new commission was created, but much the same procedure was followed as in California.* The statement has been made that nine States have appointed commissions of investigation, with a total appropriation "of considerably above $100,000." The public is of right entitled to an adequate return for the expenditure of so huge a sum, and particularly so at a time when the first and last duty of government is to concentrate national energies and national funds upon the most effective methods of reconstruction. To make useless investigations and to print useless official reports, is not to advance the interests of wage-earners and their dependents or the national welfare at large, but rather to retard it.

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*For a discussion of the Second Massachusetts Report see pages 62 et seq. and particularly page 68 with reference to the erroneous calculations regarding the cost of industrial insurance.

FIRST REPORT OF THE COMMONWEALTH CLUB OF CALIFORNIA, JUNE, 1917

In 1917 the Commonwealth Club of California arranged for a public discussion of compulsory health insurance, with special reference to a proposed constitutional amendment. Every important aspect of the questions involved was subjected to critical and extended consideration. The speakers at the meeting represented the membership of a committee on social insurance of the club, appointed in March, 1916, at the request of the state commission. In his introductory remarks the chairman of the committee, Mr. Ansley K. Salz, declared himself strongly in favor of social insurance, largely on the ground that sickness, according to the investigation of the State Commission on Social Insurance, was the principal cause of destitution in California. The necessary expense on account of sickness, he said, could not be met out of current income, since it had been found by the state commission that over 75 per cent. of the wage-earners of the State were receiving an average income of less than $1,000 per annum. He also accepted the statement made by the commission that the expense of medical treatment in California was in excess of the charges in other sections of the country, and that the regular rate of payment for medical services was "not within the means of a large number of wage-workers." To him, therefore, the only alternative was a system of compulsory health insurance, including a special tuberculosis benefit, in view of the fact that tuberculosis was "the greatest single cause of illness in California." Mr. Salz did not direct attention to the fact that a large proportion of the cases of tuberculosis in California are cases of the disease contracted in other States and that probably one-third of the patients, if not more, are not legally residents of California, but merely in the State for the purpose of treatment and cure. Mr. Salz estimated the number of persons in California who would come under the act at about 995,000, with an approximate payroll of $900,000,000. He accepted the estimate of probable cost, placed at 4½ per cent. of the payroll, of which two-fifths would be paid by employees.

As elsewhere observed, all such estimates of cost and pro-rata apportionment are merely matters of conjecture, regardless of the alleged value of the compulsory sickness-insurance experience of certain foreign countries, particularly the experiences of the German

Empire and the city of Leipzig.* Mr. Salz was followed by Mr. Chester H. Rowell, of Fresno, whose argument as a small employer was to the effect that sickness was not merely the principal cause of poverty, but also one of the principal causes of industrial inefficiency. No evidence, statistical or otherwise, was, however, advanced in support of this allegation. The cause of poverty and dependence vary widely in different sections of the country and in different strata of industrial society. In some localities and in some groups of wage-workers, no doubt sickness is, first, the principal cause of unemployment, and, second, the principal cause of subsequent economic dependence. In many other localities and sections, unemployment, whether voluntary or involuntary, is frequently the principal cause of dependence, just as in still others the chief factor is intemperance, general shiftlessness, etc. But only in small groups of employment is sickness ever the principal cause of industrial inefficiency, and certainly no evidence has been forthcoming to contradict this view.

Mr. Rowell argued strongly in favor of an amendment to the constitution, primarily because, in his opinion, compulsory health insurance was approved of by "every scientific student of the subject in the world," and also by "all the civilized nations in the world except the United States." Very serious exception must be taken to this statement, for qualified opinion is widely at variance in this matter, and some of the foremost authorities on insurance and related social and economic problems are decidedly opposed to the theory that the solution of the problem of poverty and its relation to disease can be brought about through social insurance in any one or all of its various forms.

As evidence that some of the foremost scientific minds of the present day are strongly opposed to compulsory health insurance, the following is quoted from a treatise on "Economics," by President Arthur Twining Hadley, of Yale University:

> There are many reformers who are anxious that other countries should follow the example of Germany. But the experiment has not progressed far enough to pass judgment on its success. In many respects the gain to the public from a system of this kind is more apparent than real. The payment to the insurance funds must chiefly, if not wholly, come out of wages. Even though they be nominally levied on the employer, he is compelled by competition with other employers who are not subject to this levy to reduce in corresponding degree the wages which he pays.

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*See my discussion of the "Mortality and Morbidity Experience of the Leipzig Communal Sick Fund, 1887-1905," in *The Spectator*, of New York, July 14, 1910.

The following additional extract is from a treatise on the "Principles of Economics," by Professor F. W. Taussig, of Harvard University, and also chairman of the United States Tariff Board:

> A great compulsory system, in which thousands of persons are insured against sickness, calls for the most watchful management—physicians' visits and reports, elaborate records, systematic supervision, more or less of red tape. If badly administered, it is likely to become demoralizing to the recipients of aid, and in the end more harmful to them than complete indifference and abstention from aid.

And, furthermore:

> A compulsory and universal system, with its need of elaborate checks and skilful administration, is even more out of the question [for sickness] than it is for accidents; at least for any period in the future or for any political and social organization which we can now foresee.

Following a thoroughly critical and highly technical analysis of the element of cost in compulsory insurance, and in reply to the question as to "Who ultimately bears the charges which under such a system are first imposed on the employers?" Professor Taussig concludes that "The outcome is likely to be that the insurance charges will ultimately come out of the workmen's own earnings. This will take place, not necessarily by any process of direct reductions in wages, but more probably, in progressive countries like Germany and England, by a failure of wages to advance as much as they would otherwise do." Professor Taussig amplifies these remarks by the statement that "Obviously it is no objection to an insurance system that the premiums ultimately came from the beneficiaries themselves," which, of course, is true, provided that the workmen concerned thoroughly realize the fact and are not acting under the illusion that they are paying only forty cents on the dollar.*

Mr. Rowell was also in error when he assumed that the United States of America alone among the great civilized countries of the world is at the present time without a system of compulsory health insurance. No such system is in force in England's great self-governing dominions, Canada, Australia, New Zealand, and South Africa, nor in Belgium and the Empire of Japan, nor in the great republics of South America—Brazil, Argentina and Chili. For Mr. Rowell to argue that "It should not be impossible to wake up America to be at least

*"The cost of these insurance schemes is a substantial burden to the employing classes. Yet, in spite of the increased cost which it entails, German industry has not suffered in competition with the world. The system is empire-wide, and the contributions assessed against the employer are passed on to the cost of production like any other charges. It is also probably true that the efficiency and well-being of the working classes has been so greatly improved that the employers themselves have gained by reason of insurance." See Socialized Germany, p. 200. By Frederic C. Howe, LL.D., New York, 1917.

as progressive as Russia was under the Czar," rather betrays his misconception of the true nature and purpose of any and all so-called reform measures inaugurated in the former Russian Empire under the ill-starred leadership of the Romanoffs.*

With regard to the probable cost of compulsory health insurance, Mr. Rowell argues, but without statistical or other evidence to substantiate his conclusions, that "It will cost pretty nearly two-thirds as much as it does now." Since all the estimates as to the true cost of poverty and dependence in the State of California in consequence of sickness, whether preventable or not, are largely matters of conjecture, the statement that a more or less hypothetical system of compulsory health insurance will cost two-thirds as much as the present burden is, of course, merely another instance of guesswork opinion.

Finally, Mr. Rowell asks the question as to why an employer should pay for the sickness of an employee, or his wife or child, and his reply is that the reasons are the same as those that govern in the rational administration of workmen's compensation law. The conditions, of course, are entirely reversed. Industrial accidents constitute a major portion of all the accidents to which workmen are liable, and the law specifically limits the principle of compensation to accidents which arise out of or occur during the performance of the work for which the employee is paid. No workmen's compensation law provides for the accidents which occur in the workman's family, or to his wife or child, as the case may be; and since practically all the sickness to which the average workman is liable occurs outside of his employment, it has absolutely no directly determinable relation thereto. In so far as any given industry is subject to specific industrial diseases they should certainly be compensated for, and in the most liberal manner under an Occupational Disease Compensation Act. But to charge the employer with the pecuniary consequences of sickness due largely, if not entirely, to conditions outside of the employment, primarily, of course, in consequence of failure in matters of personal or public hygiene, would seem to be contrary to every sound principle of public policy in a democracy.

Mr. George B. Scott in his remarks, following those of Mr. Rowell, and also representing the viewpoint of the employer, directed attention to the fact that the investigation of the state commission disclosed that the average loss of working-time on account of sickness in the Bay Cities of California was only 2.9 days per annum, and that out of 1,200 working men whose records were examined almost one-fourth of

*In France sickness insurance applies only to a small fraction of wage-earners.

the entire amount of sickness was lost by only ten men. To establish a social-insurance system upon such superficial and self-contradictory conclusions would clearly, in the words of Mr. Scott, constitute "social injustice."

Representing the State Federation of Labor, Mr. Daniel C. Murphy, its president, argued strongly against the principle of compulsion, while giving otherwise his approval to the general theory of social insurance on a voluntary plan. Since the principle of compulsion is inherent in every system of social insurance, Mr. Murphy's objections are clearly opposed to the conclusions of the state commission. In quoting from an address by Professor Irving Fisher with reference to the frequently asserted fallacy that "Under the compulsory system there could be no lapses," the fact is ignored that lapses would be as common, if not more so, under compulsory insurance as under voluntary insurance, for in either system the insurance protection is unconditionally determined by the payment of contributions, except in so far as these are modified by a period of grace of relatively short duration, and forfeited contributions are probably as common in compulsory insurance as in voluntary insurance, but in contrast to the latter there are no paid-up or cash-surrender values or mortuary dividends of any kind.

In the same quotation from an address by Professor Fisher, Mr. Murphy recalls the argument that "Just as employers have installed safeguards for dangerous machinery, in order to reduce the cost of workmen's compensation, so in order to reduce the cost of health insurance they will supply, for instance, better sanitation, ventilation and lighting, more physiological hours of labor and fuller consideration for the special needs of women and children." Professor Fisher entirely overlooked the fact that, while in the case of industrial accidents cause and effect are so clearly related to each other in the large majority of occurrences that the installation of safeguards in so far as they are practicable is a foregone conclusion, the relation of sanitation, ventilation, lighting, excessive hours of labor, etc., to the cost of health insurance is so exceedingly remote as regards cause and effect that no employer of labor, on general principles, would seriously concern himself with these questions on that ground, and, as a matter of actual experience, this has precisely been the experience under social insurance in foreign countries. There has been no special or determined effort on the part of employers abroad to improve general sanitation, or even factory ventilation and lighting, or to reduce the hours of labor, etc., for the purpose of reducing the occurrence of sickness, or, more pre-

cisely, the cost therefor to the employer and to the industry directly concerned. Such general arguments are the most striking evidence of the recklessness of the propaganda in behalf of compulsory health insurance and of the utter disregard of the truly momentous consequences to labor and industry involved in purely speculative proposals for pseudo-social reforms.

Mr. James W. Mullen, editor of the *Labor Clarion*, of San Francisco, declared himself as strongly opposed to *compulsory* social insurance. With a better insight into the actual facts of the problem, Mr. Mullen directed attention to the bitter truth of European experience, that "*the persons who most need insurance of this kind will be absolutely left out of consideration when the scheme is put into operation*," for, he observed, the casual laborer when he is out of work will not be able to pay his contribution and he will therefore not be entitled to any benefits unless the legislature should provide that during a period of unemployment he may pay *both his proportion of the premium and that of his employer*, but in that case this particular group of workers would be called upon to pay double contributions when least in a position to do so. That, of course, would in a large majority of cases result in forfeiture, or, as the term is more generally used, in the *lapsing* of interest, rights and privileges in the fund established ostensibly solely for his protection.

From quite another point of view a strong argument in favor of the adoption of the amendment was presented by Mr. Warren H. Pillsbury, referee of the State Industrial Accident Commission. In the opinion of Mr. Pillsbury a system of compulsory health insurance would unquestionably reduce taxation, although the experience of every foreign country in which such a system has been in existence for a number of years is quite to the contrary. His argument that there would be an increase in industrial efficiency in consequence of a reduction in the number of working days lost on account of sickness per annum is also opposed by the facts of experience, in that in every European country at least the average duration of compensated sickness has steadily increased, which, of course, is equivalent to a material loss in productive efficiency. Mr. Pillsbury might have asked himself the question as to what the situation would be if the same conditions were to develop in the State of California as prevailed in the city of Leipzig during 1913.* According to a statement presented in connection with the discussion by Mr. Salz, the chairman of the Committee on Social Insurance, that fund in 1913 had a membership of 208,000,

*See my address: "The Failure of German Compulsory Health Insurance—A War Revelation." Association of Life Insurance Presidents, New York, 1918.

among whom there were 90,500 cases of sickness, involving a loss of 2,540,000 days of labor time, or nearly twelve days per member per annum, against less than three days per annum of the labor-organizations investigated by the Social Insurance Commission of California. In 1913, according to the official report of the Leipzig Communal Sick Fund, the number of cases of sickness among the male members in the compulsory section of the fund was 41.5 per cent. of the membership. Either the health conditions of the city of Leipzig are extremely unfavorable, regardless of more than thirty years of compulsory sickness-insurance experience, or, as is more likely, malingering is the rule, rather than the exception, and particularly so during prolonged periods of unemployment.* To argue, therefore, that compulsory sickness insurance would increase industrial efficiency by reducing the time loss in consequence of sickness is to ignore the most conclusive experience of the fund or institution deservedly referred to as a model of its kind in the late German Empire available for the purpose.

In continuation of his argument for the amendment, the view of Mr. Pillsbury regarding the anticipated direct financial saving to the taxpayer was summarized as follows:

(1) He assumes a decreased expense on account of the maintenance of state and county hospitals, due to the wage-earner being provided with means for paying for his treatment. Since the present provisions for hospital treatment are far from adequate and since the wage-earners utilize such institutions to but a very limited extent, it is a practical certainty that the public outlays on account thereof will be decidedly increased, as they ought to be, but for other reasons than compulsory health insurance.

(2) Mr. Pillsbury expects a decreased expense for county and city poor-relief. No evidence has been forthcoming to prove that the group of wage-earners who would be directly affected by health insurance are at the present time a material expense to the city or county of poor-relief in consequence of prolonged illness.† There are, therefore, no reasons whatever for anticipating a decreased expense, and more so in view of the fact that under no compulsory health insurance at present in existence are the very poor properly and effectively pro-

*It has been the invariable experience under Social Insurance that claims for sick benefit increase during prolonged periods of unemployment. This conclusion is fully confirmed by more than thirty years of German experience, but particularly since the outbreak of the war.

†There can be no more serious error than to assume that social insurance is the solution of the problem of pauperism and poverty. Of course, if its terms are used in a dubious or doubtful sense it is easy to mislead oneself and the public. A universal non-contributory old-age pension is no more or no less than outdoor relief under another name. According to a letter from the Scottish Legal Health Assurance Approved Society, the poor-law guardians "have encouraged people to make provision for sickness by joining insurance societies," but they are "annoyed when a claim should be made for poor-

vided for. But it, of course, would be quite immaterial whether poor-relief was paid out by the State or the county in the form of sickness insurance, for both medical attendance and pecuniary benefits, or directly in the form of family support for the same purposes. Advocates of compulsory health insurance persistently ignore the fact that the real problem of the poor lies in the inadequacy of the family income, or, in other words, low wages and precarious employment. Neither of these wants is removed by compulsory health insurance, which, however, in many instances no doubt encourages chronic pauperism, rather than tends to prevent it. In no country in which social insurance has been in operation for many years has there been a material reduction in pauperism accurately and properly ascertained.*

(3) Mr. Pillsbury anticipates a decrease to the State in the cost of maintenance of insane asylums, prisons and reformatories, due to the stoppage at the source of evils due to premature breaking-up of the family by the loss of the earning capacity of the wage-earner. In so far as these indicated sources of insanity and crime are due to the causes stated they are practically without remedy under any existing system of health insurance. There are no reasons whatever, for supposing, however, that the expenses of maintenance of asylums, prisons and reformatories would be perceptibly decreased under even the most efficient and drastic system of health insurance. Certainly no such relation of social insurance to insanity and crime has been proved to exist in foreign countries in which social insurance has been in operation for many years.

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relief." It is properly pointed out in this connection "that the Insurance Act was not instituted for the purpose of relieving the Poor Law authorities of their responsibilities." To much the same effect is the statement by Lord Balfour made in the House of Lords on January 29, 1919, referring to "what is really a great scandal, and not only a scandal in itself, but a very grave waste of public money." His Lordship directed attention to the fact that "Insured persons often take advantage of poor-law and public institutions." Referring to statistics of 1918 for Edinburgh, Glasgow, and Goven, Lord Balfour said that "In Edinburgh nearly a thousand people in the year have got this benefit wrongfully, as I think, and in Glasgow nearly ten thousand people received this insurance benefit, having been supported in poor-law institutions during illness."

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*Referring to the lot of the deposit-contributors, which represents many of the poorest poor or those most urgently in need of material assistance during illness and adequate medical treatment necessary to restore impaired earning capacity, it is said, in the special supplement on the Working of the Insurance Act, March 14, 1914, of the *New Statesman*, London, that "What the Deposit Contributor gets for the weekly fourpence (or threepence) abstracted from wages is little enough. After nine shillings has been debited to him for doctoring and administrative expenses there is seldom enough to his credit to permit of more than a week or two's Sickness Benefit, so that no effective provision is made for the time of ill-health. The wives of the Deposit Contributors, in whose children the State has as much interest as in other babies, can practically never get Maternity Benefit. When they break down there will practically never be anything for Disablement Benefit. And, so far as we can learn, many of them often because of the migratory character of their work, seem not to have got on the panel doctors' lists, with the result that they are often not getting Medical Benefit. Unless they start with nine shillings to their credit at the commencement of the year, they have no right throughout the whole year to draw anything whatsoever, unless the Insurance Committee chooses to permit it, though their contributions are being taken from them week by week!"

(4) As a source of saving to the taxpayer it is assumed that there would be a reduction in the expenditures for public charity and benevolent associations. All this is simply a matter of pure conjecture. To a large extent the problem of charity is one of family rather than of individual support. The predominating causes of charity and dependence have very little to do with sickness on the part of the normal wage-earner. Prolonged sickness in the family no doubt often proves the cause of a complete breakdown, making outside help imperatively necessary; but unless the proposed system of compulsory health insurance adequately and liberally provides for the medical care of the entire family, the outlook is practically hopeless that material gains will result in the direction indicated.

Mr. Pillsbury assumes a number of other indirect economic gains, but all of his assumptions are merely based upon superficial consideration. Any one, of course, may *assume* what he pleases in a matter of this kind in so far as his own interests are concerned, but reckless guesswork opinion becomes a serious menace to the public welfare when applied to public measures of so far-reaching a nature as compulsory health insurance.

In concluding the discussion Mr. David Atkins, of San Francisco, argued strongly against the proposed amendment from the standpoint of the taxpayer. In the words of Mr. Atkins, the proposed legislation "strikes one more blow at self-dependence and initiative and makes your citizen a subject, whether of king or of commission matters little. Self-dependence and initiative, virtues only permitted to a few favored individuals in older forms of government, are again to be taken away from a large number of citizens, in return for a mess of pottage, and the normal cycle of human stupidity becomes obvious. The Constitution promised liberty and happiness, not supervision and comfort; that is, the guarantees were moral, not material."

The discussion of social insurance before the Commonwealth Club of California disclosed a wide range in the prevailing viewpoints. Every essential phase of the question was subjected to critical consideration, but the discussion makes evident much confusion of thought on matters of fact and correct inference. Conceived as a social solution the abstract principle of health insurance no doubt appeals strongly to those eager to bring about a more satisfactory system of care in the event of illness in the families of the poor. By accepting the statement that the predominating cause of public dependence is to be found in sickness and its economic consequences, those in favor of the adoption of the amendment overlooked the fact that the solution would lie in the direction of higher wages and better conditions of

living, rather than in a method at best but one of amelioration and precarious relief. It requires no argument to sustain the conviction that low wages and sickness occur frequently together, and obviously the former may as readily be the cause of the latter as vice versa. Persons in chronic ill health can no more command high average wages and continuity of employment than can the very poor secure the best possible medical and surgical attendance, proper environmental conditions predisposing to good health and exceptional longevity. The British experience has conclusively shown that health insurance rather tends to perpetuate chronic pauperism or economic dependence, in consequence of a low social status, under which the social circumstances during sickness are really superior to those common to the every-day life of the individual while at work.* In the case of women insured under British national health insurance acts, the income provided in the event of sickness is within a few shillings of the average amount normally earned, and, as observed by Sir John Collie, "There is therefore very little inducement for them to disregard the minor ailments, but rather an encouragement to avail themselves of their anemic or other conditions in order to obtain a temporary respite from the hardship of daily toil." Referring to the effects of the health-insurance act in general, Sir John Collie further remarks that on the basis of available statistics it is self-evident "that thousands of employees who should be at work successfully claim sick-pay." He frames a strong indictment of indifference and neglect on the part of the medical profession in raising the question as to whether the profession is doing its duty and whether "a serious and painstaking effort is being made by the profession to make a stand against the conscious or unconscious exaggeration of symptoms and the unnecessary prolongation of sick-leave by working men." He argues that the statistics of the Home Office "prove conclusively that things are rapidly going from bad to worse, and that it is difficult to escape from the conclusion that in this respect the medical profession has been 'weighed in the balance and found wanting.' " He even goes further in pointing out that "the morale of the workshops suffers enormously as a result of the laxity engendered by the unnecessarily prolonged suspension of the beneficent disci-

*There never was a more urgent need of clear and rigorous thinking than to-day. The misuse of long-established terms for propaganda purposes has become the rule rather than the exception. It is a deliberate delusion of the public to convey that non-contributory old-age pensions, for illustration, are anything but poor-law outdoor relief in disguise. As said by Professor A. V. Dicey in his Harvard lecture on "Law and Opinion in England." "The Old Age Pension Act is the bestowal by the State of pecuniary aid upon one particular class of the community, namely, the poorer class of wage-earners. It is in essence nothing but a new form of outdoor reliéf for the poor. Surely a sensible and benevolent man may well ask himself whether England as a whole will gain by enacting that the receipt of poor-relief, in the shape of a pension, shall be consistent with the pensioner's retaining the right to join in the election of a Member of Parliament."

pline which attention to one's business entails." He offers as a suggestion the experience of the South Metropolitan Gas Company, which is managed on the basis of a copartnership and in which the participation of the working men and their own direct pecuniary interest have resulted in avoiding the evils of malingering otherwise so common throughout British industry. Sir John Collie refers to evidence collected by a departmental committee, resulting in the recommendation that "immediate steps should be taken to produce a firmer attitude on the part of the medical profession with regard to improper claims for sickness-benefit." As a solution it was recommended that "independent medical referees be appointed to pass upon doubtful claims." But aside from the question that the required medical staff would not, on account of the then existing war, have been available, it may be questioned whether the problem would have been successfully solved, unless such referees were given practically arbitrary powers of inquiry, including the personal examination of the insured, etc., for no doubt, the most strenuous objections would be raised against such a practice by the British wage-earners as a wrongful interference with the liberty of the subject*.

*Under any and every system of social insurance the development of autocratic and arbitrary methods of interference with personal rights and liberties is a foregone conclusion. As a protection against malingering and fraud, the employment of numerous inspectors, supervisors and examiners is, however, absolutely necessary. (See also footnote on page 40.)

REPORT ON HEALTH INSURANCE BY THE NEW JERSEY COMMISSION ON OLD AGE, INSURANCE AND PENSIONS, NOVEMBER, 1917*

Compulsory health insurance is a subject which demands the most thoughtful consideration of all who have the best interests of the State and the nation at heart. The one-sided propaganda for its adoption on the part of the several States has unfortunately complicated the situation considerably, and many have come forward as authorities on health insurance who have no qualifications for the expression of an expert opinion in this field. The same conclusion applies also, unfortunately, to some of those who have presented reports of social-insurance commissions, particularly of the States of California and New Jersey. The New Jersey report on Health Insurance to the Governor of the State, dated November, 1917, is a lamentable exhibit of guesswork, bias and indifference to facts. It is not a document which reflects the wisdom or the judgment of the intelligent people of the State of New Jersey on a question which demands the fullest and most impartial consideration.

The questions involved cannot be disposed of by platitudes and guesswork opinion. It is absurd for the commission to argue such a question as to whether "we are to survive as a nation," for it cannot have any relation whatever to the adoption or the non-adoption of compulsory health insurance. It is equally absurd for the commission to argue that a "national emergency exists as regards the adequate health protection of our people." Leaving out of consideration the influenza epidemic of last year and the epidemic of infantile paralysis of two years ago, it may safely be asserted that this nation has never been as healthy during any time in the past as during recent years.†

The report neither indicates nor reflects analysis and thoroughness of research. There is no presentation of any governing facts which bear directly upon the health and physical welfare of the people of New Jersey. It is absurd for such a commission to present a misleading statement from one who is not an authority on public health or army medical rejections to the effect that of the men examined for

*This section was originally printed in *The Spectator*, July 24, 1919.

†During the week of June 14th, 1919, the general death rate of 46 American cities, according to the official returns of the Division of Vital Statistics of the United States Bureau of the Census, was only 12.0 per 1,000. The mortality of infants (ages under 1 year) was only 74.0 per 1,000. It may be questioned whether any other country in the world can exhibit a similar record of favorable mortality experience.

the army and the navy the rejection rate was 66 per cent. According to Major Crowder's first official report on the subject the ratio of rejections was 33 per cent., but this rejection rate, as I have made clear in my address on "Army Anthropometry and Medical Rejection Statistics," is not to be construed in any sense as conclusive evidence regarding the physical decrepitude or the deterioration of the American people. Large numbers of men were rejected for military reasons and according to antiquated rules who were thoroughly fit material for fighting purposes as well as for the needs of industrial life. Many men were rejected for short stature, which is not pathological, and for deficiency in chest expansion, which likewise could not be construed as evidence of disease. Men were rejected for flat-foot, spinal curvature, visual defects, and most of all for dental deficiencies only remotely bearing upon the question of health and physical well-being. But whatever the facts are with reference to army rejections, the people of the State of New Jersey have a right to be correctly informed.

If "available information indicates that New Jersey cannot consider her health conditions satisfactory," the commission presents no such evidence, nor is it available through any published sources. The official reports of the State Board of Health indicate reasonably satisfactory conditions, and a material decline in the death rate during recent years. To attempt to substantiate such a statement by antiquated life tables constructed by methods more or less unknown and probably not comparable with modern methods of life-table construction is merely another attempt to mislead the public. If the health conditions of New Jersey are not satisfactory and if the State Board of Health is not organized as it should be, the commission offers no solution of a problem properly entitled to most serious concern.

The statement is made that "the potteries, smelters, tanneries, textile and hatting trades of New Jersey tell a tale not only of lead-poisoning, mercurial poisoning, and well-known occupational diseases, but also of consumption, pneumonia, and kindred ailments induced by work in dust or in humid atmosphere." According to a statement on a subsequent page, presenting the statistics of the Bureau of Associated Charities of Newark, out of 1,412 cases considered during 1916, only four represented occupational diseases, and 172 represented tuberculosis. There is no evidence extant which proves that occupational diseases are unduly common in the State of New Jersey, but, quite to the contrary, evidence is available to prove lead-poisoning in the potteries and mercurial poisoning in the hat factories of rare occurrence at the present time in contrast to a relatively high rate of frequency in former years. To substantiate such a statement by a

table of mortality from consumption derived from general experience may also be very seriously misleading. The commission made no original inquiry into the facts concerning New Jersey, but relied entirely upon material readily available through public sources. There are no reasons for supposing that tuberculosis in the industries of New Jersey is unduly excessive; quite to the contrary, in all probability the incidence of tuberculosis is now much less than in former years.

The New Jersey Commission on Social Insurance states that "a special report by the New Jersey Department of Labor on the felt hat industry mentions hazards of mercurial poisoning, tuberculosis of the lungs, humidity and bad sanitation in almost every department of the industry." As a matter of fact there is no comparison between the felt-hat industry of to-day and the truly appalling health conditions of that trade twenty and thirty years ago.

If tuberculosis remains as an insidious foe to wage-earners' lives, it is largely because there has not been the progress in public-health organization required by modern industrial needs. Industrial dust is unquestionably a dangerous factor and the cause of many preventable deaths; but no State department of health has concerned itself as thoroughly with this question as the needs of the situation demand. In spite of this, however, greater progress in this respect has been made in the United States than in any country abroad in which social insurance has been universally adopted. The progress which has been achieved is due to the broad-minded viewpoint of modern manufacturers, chiefly of large industries, who recognized the importance of safety and sanitation, as best illustrated by the extraordinary results achieved by the United States Steel Corporation.

The reference to life insurance practice is only half true. The most important operators, such as curlers, finishers, flangers, inspectors, packers, shavers and stiffeners, are now accepted at regular rates; blockers, blowers, coners, dryers, feeders, hardeners, mixers, pouncers, singers, trimmers, weighers and wetters are accepted at medium rates; and only the operators most exposed to dust inhalation, and as to which there has been no qualified inquiry for remedial purposes by either the State Board of Health or the State Department of Labor, namely, fur cutters, makers and sizers, who constitute but a small fraction of the total number employed in the felt-hat industry, are declined. It may be said in this connection that few States in the United States have developed a more active interest on the part of the State Department of Labor in industrial hygiene than the State of New Jersey, and the rules and regulations which have been promulgated and become effective are among the most conclusive evidences of

a true and lasting sanitary progress in New Jersey industries. Further progress is required, and will be attained, more so in view of the fact that an Occupational Disease Clinic is now in course of development in the city of Newark, and that a Museum of Safety and Industrial Sanitation is being established by the Labor Department in Jersey City.

The New Jersey Commission presents no facts tending to show that for its insurance data it relied upon the advice of the Insurance Department. The statement, for illustration, that "for every dollar that one of the largest New Jersey life insurance companies paid out to its industrial policyholders, it expended seventy-five cents on overhead and administration," is grotesquely at variance with the facts. The New Jersey Commission on Social Insurance was not concerned with industrial insurance at all, and the statement is therefore gratuitous and merely evidence of the socialistic bias of the members of the commission, who miss no opportunity for assailing the existing system. If the State, as observed in the report, "lacks a coordinated, comprehensive plan of rehabilitation and prevention," the commission presents no such plan and leaves the question open for future discussion. There is not a single concrete suggestion in the report which will be helpful to those who are interested in the further development of existing methods and aiming at a better state of health and industrial well-being. What the commission has to say with reference to suggestions for remedial action is merely in the nature of generalities, and apparently not based in a single instance upon a thorough knowledge of New Jersey facts.

To quote from the reports of social-insurance commissions with reference to labor and sanitary conditions in other States is merely evidence of neglect on the part of the New Jersey Commission to inform itself with reference to the existing state of facts for New Jersey. It is said, for illustration, that the Massachusetts Commission on Social Insurance has declared "that the principle of insurance is a desirable one for application on a sufficiently wide scale to safeguard every wage-earner in the Commonwealth from certain of the evils of sickness." No such results have been secured in any country in which social insurance has been in operation for many years; as a matter of fact, neither in England nor in Germany does the existing system of compulsory sickness insurance effectively reach the poorest poor, or the unemployed or casual-labor element, or, in other words, that element of the population which is most urgently in need of both pecuniary aid and medical assistance.

In the field of industrial accident prevention no other country has made the progress achieved by the United States on a strictly voluntary basis because of the high ideals and the better understanding of the manufacturers who effectively apply past experience and present-day knowledge to the solution of the industrial accident problem.

There is likewise no reference in the report to even one of our great national voluntary health-promoting activities, such as the National Tuberculosis Association, the National Committee on Child Welfare, the American Society for the Control of Cancer, the National Committee on Malaria, etc. To quote the opinion of the California Social Insurance Commission that "health insurance offers a sensible, practical method of eliminating in part the most distressing features of the present social system, economic dependence and charitable relief," and that "through its beneficial effects upon two-thirds of the population, health insurance would mean a tremendous gain in public health," is merely to reemphasize the fatuous reliance of the commission on documentary evidence, more or less misunderstood, and to refrain from the acquisition of trustworthy knowledge based upon personal inquiry into existing conditions in the State. There has been no "tremendous gain in public health" in any country in which social insurance had been in operation for many years, but, to the contrary, the sickness and death rates of this country in industry or in the population at large are by every investigation shown to be more favorable than those for foreign countries in which social insurance has been in force.

Health insurance does not offer "a sensible, practical method of eliminating in part the most distressing features of the present social system, economic dependence and charitable relief." Those who are most in need of care and comfort during illness are neither in England nor in Germany properly provided for, nor would this be the case under any compulsory health-insurance system thus far proposed or contemplated in this country. The only known method of eliminating the necessity for economic dependence and charitable relief is a better education, a higher degree of industrial efficiency, higher wages, more reasonable hours of labor, stated vacations, etc., or, in other words, a higher and more effective standard of life than the one which prevails at the present time. But no country in the world has made the social and economic progress which has been made by the American people during the last thirty years, in their own way and at their own cost, without Government compulsion or interference of any kind. As evidence that compulsory health insurance does not tend to remove pauperism but, quite to the contrary, rather accentuates its occur-

rence, I quote the following statement by Lord Balfour in the House of Lords, on January 29, 1918:

> I have the figures for last year for Edinburgh, Glasgow, and Govan. In Edinburgh nearly a thousand people in the year have got this benefit wrongfully, as I think; and in Glasgow, between January, 1917, and January, 1918, nearly 10,000 people received this insurance benefit, having been supported in Poor Law institutions during illness. I think I have said enough to show, ... that there is a strong case for reform, and that a public scandal exists which this opportunity ought to be taken to remedy.

All compulsory health insurance as proposed in this country rests fundamentally upon the principle of financial assistance during illness. Since this assistance is paid for only to the extent of two-fifths by the employees themselves, the remainder is a charitable contribution, in the strict sense of the term. Even though it is made a statutory right, it is not a right in the ethical sense, since it is not a just return for services rendered or risk assumed. General illness has nothing to do with industry, and it is a wrongful imposition upon manufacturers and employers to charge them with the burden of social insurance when they themselves have little or no control over the conditions which affect the physical welfare of their employees and those dependent upon them.

The New Jersey Commission quotes a statement by the New Jersey State Federation of Labor, that the annual convention was in favor of "a universal system of health insurance. . . in order that efficient medical treatment may be furnished to all sick wageworkers, and due emphasis may be placed upon the prevention of industrial sickness." All the evidence from England and Germany proves conclusively that the medical treatment under so-called health or sickness insurance is not sufficient and does not meet the requirements of those most urgently in need of adequate care. According to Dr. William A. Brend, the distinguished author of a treatise on "Health and the State," written in the light of an extended experience with the actual operation of national health insurance in Great Britain, the facts are that:

> Dissatisfaction with the panel system is wide-spread. The doctors complain that they are harassed by unnecessary regulations and circulars from administrative authorities; sick visitors and agents of approved societies interfere with their treatment of patients; that their certificates are sometimes overruled; that an excessive amount of clerical work is required from them; and that they are not paid fully and promptly. The non-panel doctors complain that insured persons are not freely permitted to be attended by them. The officials of approved societies state that they cannot rely upon the doctors' certificates, and that they do not exercise sufficient care when examining patients. Insured persons complain that they do not get proper and sufficient

treatment; that a distinction is made between them and private patients; that sometimes they cannot get a doctor at all; and that sometimes they are made to pay for services to which they are entitled without charge.

The German evidence is even more conclusive, especially so in view of the war experience, during which the entire administration of health insurance practically became an annex to the poor-law.

Health insurance tends strongly towards the endowment of mediocrity in medicine and the discouragement of practitioners of more than average ability. Dr. Alfred Salter, an English physician, speaking in 1914 at a public meeting in support of a national medical service, stated that he saw "on an average seventy-six cases in the morning, and ninety-two in the evening," three and one-quarter minutes were spent on each patient, one and one-quarter of which was taken up in writing. It is also said that "Patients had to wait on an average two and one-half hours for their turn, unless present at the very start."

Compulsory health insurance has been wholly ineffective in preventing industrial sickness or in aiding effectively the cause of general sanitary progress. The countless reports of English health officers are silent on the subject, and there is no conclusive or convincing reference in the reports issued by the National Health Insurance Commission that an even remotely effective system of coordination of health insurance and public health has been brought about. The remarkable health progress of England was all achieved before national health insurance went into force, and in no country in the world has there been a more successful development of local sanitary effort, chiefly through the effective coordination of the work of the Royal Sanitary Institute.

In this country corresponding progress has been made and further achievements are merely a broadening of the functions which have been found effective in the past. Our American Public Health Association, after nearly fifty years of existence, is practically only at the beginning of its career of greatest usefulness, and the same is true of the larger sphere of activity of the National Tuberculosis Association, American Child Hygiene Association, the American Society for the Control of Cancer, etc. Compulsory health insurance is not required to give furtherance to sanitary progress; quite to the contrary, by providing financial support during illness it is practically certain to hinder such progress rather than to advance it. For these and many other reasons there is the most serious objection to a statement attributed in the report to the president of the New Jersey State Medical Society, reading that "in so far as the general purpose of

health insurance is concerned in preventing or palliating human distress, the medical profession is favorably impressed with and invites it." There is no evidence from any source that the medical profession is favorably impressed with health insurance or desires its establishment in this country. In California the medical societies have strongly opposed health insurance; in fact, they were largely instrumental in bringing about the defeat of the constitutional amendment favorable to its establishment in California by a popular vote of 133,858 for and 358,324 against it. The medical profession requires to be better informed concerning health insurance, most of all on the subject of arbitrary, bureaucratic interference with its functions on the part of the vast official staff which will come into existence to administer the practically countless rules and regulations, most of which are un-American and contrary to our conception of a republican form of government. The inevitable result of such legislation is to establish class distinctions in precisely the same manner as the old English Poor Law brought untold sorrow upon millions of people and practically stratified the English population, with a strong tendency towards an increase in the permanent pauper class.

Catch phrases are not a solution of economic problems, and the misuse of the terms "insurance" and "health" is for the deliberate purpose of deceiving the public. Universal, non-contributory old-age pensions are poor-relief under another name. As said by Professor A. V. Dicey, one of the most distinguished authorities on English jurisprudence, "The Old Age Pension Act is a bestowal by the State of pecuniary aid upon one particular class of the community, namely, the poorer class of wage-earners. It is in essence nothing but a new form of outdoor relief for the poor." The same conclusion applies to compulsory sickness insurance, under which manufacturers and employers generally are forced to pay two-fifths or one-half of the total cost, although they receive no direct benefit in return. It is absurd to advance the argument presented by the New Jersey Commission that "Contributors to private charity are compelled to bear that part of the burden which rightfully should rest on industry." It is a profound fallacy to attempt the solution of the social and economic problems of independent wage-earners on the basis of the experience gained in charity administration. The error results from the habit of viewing our labor element as a class. And there is the greatest possible danger that this view may be accentuated by the proposed legislation, which would permanently divide the American working people into those subject to compulsory health-insurance laws and those not falling within its arbitrary, burdensome and restrictive provisions.

There is nothing in the report which reflects the judgment of qualified medical practitioners, familiar with the medical experience gained under compulsory health insurance in England and Germany and elsewhere. On the Continent such experience, as I have shown in my address on "The Failure of German Compulsory Health Insurance," has been disastrous to the morale of the medical profession and the system has lowered perceptibly the profession's standard, to the advancement of which heretofore the best efforts of all have been consecrated, under the belief that there can be no enduring social progress which does not rest upon a further advancement in medicine as a healing art.

SECOND REPORT OF THE MASSACHUSETTS SPECIAL COMMISSION ON SOCIAL INSURANCE, JANUARY, 1918

A second Massachusetts commission of inquiry was appointed by the General Court of Massachusetts under an act approved May 25, 1917. This commission made a report to the legislature under date of January 15, 1918, covering a somewhat broader field of original investigation than the preceding inquiry, a considerable amount of new material being utilized, especially with reference to dependent families receiving mothers' aid. The commission secured the co-operation of the State Department of Health, the Bureau of Statistics, the State Board of Charities and the Massachusetts Savings Bank Life Insurance. It held a number of public hearings, visited several important centers of industry, and a determined effort was made to ascertain the viewpoint of wage-earners, employers, physicians, pharmacists, insurance companies and the general public. The conclusions of the majority are summarized in the statement that "An analysis of the evidence reveals no growing demand in the Commonwealth for compulsory contributory health legislation. On the contrary, if one is to judge from the experience of the former commission considering this question, there appears to be *an increasing hostility* to this type of insurance on the part of representatives of large aggregations of individuals who, in the final analysis, would be most vitally affected by such a measure." In continuation it is said that "The so-called compulsory contributory system of health insurance has few supporters. There appear to be two serious obstacles to the enactment of legislation of this character, namely, the united opposition of employer and employee to the scheme, and the difficulties presented by the constitutional aspects of the question." In recognition of the constitutional difficulty the question was brought squarely before a constitutional convention, which was requested to work out a provision to the effect "that the General Court shall have power to establish systems of social insurance, including old-age pensions or insurance pensions for physical disability arising from any cause, health insurance, maternity benefits, insurance against unemployment, and compensation to workmen or their dependents for injuries incurred by workmen in the course of or arising out of their employment." It may also provide for medical care as well as money payments, and may require that the cost of any such system or systems shall be borne in whole or in part by

the Commonwealth or any civil division thereof, or by the insured or by the employer. It may provide that claims may be adjudicated with or without a jury, and that employers contributing to the compensation of injured workmen or their dependents shall not be liable to any other claim for such an injury. The provision was thoroughly discussed from every point of view, but on July 30, by a rising vote of 43 yeas to 107 nays, following an entire forenoon of debate, the proposition was unconditionally rejected.

In its report the second Massachusetts Social Insurance Commission directs attention to the fact that "No law can be created without public sentiment or enforced without the belief of the public behind it," and it expresses it as its opinion that "The effect of enacting legislation of this character would not be conducive to the mutual well-being and good feeling that exist in most industries at the present time." "For," it says, "to force all employers to contribute under a bill of this kind would mean a cessation of much of the excellent welfare-work that many of them are now maintaining or rapidly initiating into their plants." The rejection of the constitutional amendment by a vote of 107 to 43 is conclusive evidence of the fairness of the viewpoint of the commission, based upon a thorough and impartial investigation practically inclusive of the entire State.

Reporting upon the results of its inspection of industrial centers, industrial plants, etc., the majority of the commission are unanimous in their findings that "the general conditions under which the wage-earners work are in most cases very good, and satisfactory to the workers themselves. In the more modern textile mills, as well as in the machine industries, there are improved means of ventilation and lighting, which are in every case to be commended. There was found to be a disposition on the part of the industries to provide rest-rooms particularly in the departments where women are employed. Employees are apparently better protected now against accidents, dangerous machinery and hazards in general than they were formerly." The commission also ascertained that "The pay of the employees generally was much higher than the commission had been led to suppose." No evidence in conflict with these conclusions was forthcoming at the hearings held throughout the State.

Of the representatives of labor who participated in the first hearing at the State House, some twenty-two spoke on the subject of health insurance. According to the report, "Most of them had been instructed in advance by their local organizations. Practically all who appeared at this time expressed themselves in favor of some form of health insurance, but stated that they were opposed to a so-called

'contributory' scheme. They expressed themselves in favor of a non-contributory form of insurance, if any." Two of the labor representatives argued in favor of an investigation into the more dangerous trades, "in which they believed there was a greater risk to a workingman's health than in most occupations," and "they favored the extension of the Workman's Compensation Act to cover more adequately those diseases directly attributable to occupation." Only one out of twenty-two of the labor representatives who testified before the commission was in favor of a contributory plan of insurance. One of the delegates suggested in his remarks that "higher wages and better working-conditions would alleviate and solve the sickness problem." In commenting upon the hearings the commission points out that "it is interesting to note that those who most strongly objected to any form of health insurance at this time were those leaders in the labor movement who, it seemed to the commission, had given most thought and study to social insurance." In support of this the commission quoted the remarks of the president of the American Federation of Labor, Mr. Samuel Gompers, strongly in opposition to any and every form of compulsory health insurance. One very important fact was disclosed at the hearings of labor representatives with regard to the extent to which their members were already insured against illness. It is said that "The majority of the men stated that their members generally carried some form of insurance, and that there was a disposition on the part of the workmen now to insure themselves more than they had in the past."

The position of employers on the subject of social insurance appeared to be rather one of indifference. Only a few representatives of industry appeared before the commission, although a better representation was had outside of the city of Boston. The principal objections put forward by employers in the chief industrial cities of the Commonwealth were, in part, "that no exigency exists for the establishment of compulsory health insurance; that employers were rapidly improving working-conditions in their factories; that welfare-work* and mutual benefit societies were available for insurance purposes on a voluntary plan; that the adoption of a health-insurance scheme similar to those prevailing in Europe would in effect be taxing the people for the indiscretions of the beneficiaries; that the State should concentrate its efforts on preventive work rather than on the attempt to cure diseases through insurance; that the Workmen's Compensation Act had already

*An excellent account of what is being done in the direction of welfare-work and deliberate improvement in working-conditions, is presented in Bulletin No. 250 of the United States Bureau of Labor Statistics on "Welfare Work for Employees in Industrial Establishments," Washington, 1919.

taken some of the liberties away from the individual wage-earner, and that health insurance would take more; that the tendency of health insurance would be to pauperize the workers; that health insurance was not suited to American needs; that health insurance abroad was economically unsuccessful;* that its cost was prohibitive; that it was an encouragement of malingering, and that self-respecting labor did not desire it."

Employers also directed attention to the fact that sickness insurance abroad had tended to increase malingering.†

Two meetings were held exclusively for the purpose of hearing physicians and representatives of medical societies. After pointing out that many of the physicians who testified had obviously given serious thought to the subject under consideration, it was said that, "As a whole, they seemed inclined to consider it from a liberal point of view, and many expressed their willingness to withdraw their opposition to any form of sickness insurance, provided it could be demonstrated beyond question that the scheme would actually benefit the wage-earners and improve health conditions." Yet of more than one hundred physicians who testified before the commission, "only two were ready to declare themselves in favor of insuring the wage-earners against disease." It was the unanimous viewpoint of the medical profession "that the cost of medical care and attention was not beyond the means of the ordinary working man to-day, and that medical charges in Massachusetts were not excessive." To substantiate their contention they submitted a fee schedule, which, in the opinion of the commission, "compared very favorably with the fees charged for the same service in other States." With regard to the assertion that many patients did not pay their bills and that therefore the economic position of the average medical practitioner was decidedly precarious, one physician of more than thirty years' experience in a rural community testified that 80 per cent. of his patients were able to pay their bills in full.

Regarding the proposal that the free clinics in the State be extended, this suggestion was approved in most instances.‡ The large majority of physicians evidently believe it to be "unwise to enact any health-insurance bill at the present time," but "many of them were

*For extended observations on the economic aspects of health insurance with special reference to Germany, see my "Facts and Fallacies of Compulsory Health Insurance," Prudential Press, 1917, and the "Failure of Compulsory Health Insurance in Germany—A War Revelation," Prudential Press, 1918

†For much valuable evidence of malingering under national health insurance and workmen's compensation, see "Malingering or the Simulation of Disease," by Jones and Llewellyn, London, 1917, and "Malingering and Feigned Sickness," by Sir John Collie, London, 1917.

‡For an excellent account of dispensaries, see "Dispensaries and their Management and Development," Michael M. Davis and Andrew R. Warner, M. D., New York; 1918.

reluctant to express their opposition to legislation of this kind lest their position be misunderstood." "It was the opinion of most of them that there was not the need in the Commonwealth for health insurance which some maintain," and, further, that "Medical service, they say, is now available to the working man and to those unable to pay either a hospital fee or a physician's fee. In case of inability to pay, both are provided without cost." All of the physicians regarded it as "highly important that the existing health agencies should be extended wherever possible, and many of them advocated larger appropriations as a more adequate solution of this problem." Convincing evidence was presented by the city physician of New Bedford regarding a reduction in the cases of tuberculosis treated at the local sanatorium. In 1915 out of 210 cases treated at the sanatorium 120 were mill-operatives; during 1916 there were 83 cases of mill-operatives out of a total of 225 cases, and in 1917 only 44 out of 245, or 18.0 per cent.

As regards the important question whether or not health insurance would reach the real labor element most urgently in need of the system, qualified medical opinion was practically unanimous that this would not be the case, for, as one prominent physician took occasion to point out, "To pay a man an indemnity for time lost in sickness is not insuring him against sickness in any way. It may make his lot while sick more comfortable, but the matter of keeping well is largely a question of hygiene, and hygiene is largely a question of education." The commission, in this connection, drew attention to a resolution passed by the Section on Preventive Medicine and Public Health of the American Medical Association, after a full discussion, at a meeting held in New York city on June 6, 1917, reading that

> *Resolved,* That after full discussion and careful consideration of the subject the section on Preventive Medicine and Public Health of the American Medical Association hereby instructs its delegates of the House of Delegates of the American Medical Association to oppose the scheme for compulsory health insurance in every way possible.

The commission also points out, by way of further emphasis, that a member of the American Medical Association, in submitting this resolve, had made the following comment to the commission: "This resolution was passed after full and careful discussion of health insurance. Delegates were present from all the States in the union; hence their attitude can be taken as nearly the attitude of all the medical societies in most of the States."

Among the more active efforts on the part of the medical profession in its opposition to compulsory health insurance, a brief

reference requires to be made to the Somerville Medical Society. In a special publication on "State Medicine, Misnamed Health Insurance," it is said at the outset that "There is not a medical society, there is not a lay society, there is no body of organized men in Massachusetts that has asked for this legislation. No general practitioner nor special practitioner, as far as any one has been able to ascertain; but there is a society called 'The American Association for Labor Legislation,' with headquarters at New York, which has asked for this legislation. This association is allied to an international association which has its headquarters in Basle, Switzerland. This international organization has sixteen branches in as many foreign countries. It has nothing to do, directly or indirectly, with organized labor. This association is the head and front of the agitation for health insurance in this country." Dr. Charles E. Mongan, the author of the report of the Somerville Medical Society, remarks, in continuation, that "The proposition is practically an indictment of the medical profession of Massachusetts. They say we have not taken care of the poor, the sick poor. And now they are going to take it out of our hands, notwithstanding the fact that nobody in Massachusetts asked for such legislation. They are going to give us a cure for poverty, by taking away from us the cure of the sick and putting it in the hands of a commission appointed by the governor."

The consensus of qualified opinion on the part of the medical profession is fully shared by representatives of the pharmaceutical profession, whose interests would be most seriously affected by compulsory health insurance. The Massachusetts commission refers to the evidence presented by a representative of the State Association of Druggists, representing 1,500 registered pharmacists, all strongly opposed to any plan of state health insurance. Their viewpoint, it was said, was sustained by the National Association of Druggists, with a membership of more than 40,000 retail druggists, scattered throughout the country, which had recently gone on record in its opposition to "the principle of sickness insurance." The commission quotes from the *Journal of the American Pharmaceutical Association*, of October, 1917, to the effect that "if compulsory health insurance becomes a fact, it will not only be a public menace but it will be the greatest blow ever suffered by the drug trade of America. . . . The National Drug Trade Conference and the American Drug Manufacturers' Association have declared their opposition to the movement until time can be afforded for a more careful study of the situation." And it is therefore suggested that this should be the attitude to be taken "by the American Pharmaceutical Association and by all other

branches and divisions of the trade." The article in question to which the commission refers was written by Mr. Harry B. Mason, whose argument is one of unusual thoroughness, including observations on the effects on the drug trade under the British act, the increase in malingering and the un-American element of compulsion.*

In considering briefly the viewpoint of the insurance companies, chiefly, of course, those transacting a casualty business, the commission directs attention to a very serious error in the report of the previous commission on social insurance, relative to the amount paid for industrial insurance in the State of Massachusetts and the amount returned to the policyholder. The error was so much more serious in that the same had been incorporated into the inaugural address of Governor McCall for the year 1917. The commission pointed out that the payment to beneficiaries including all sums set aside to their credit as reserve, was actually $8,277,000, instead of $4,094,000, according to the report of the first social-insurance commission.† The evidence of the insurance representatives is summarized by the commission in the statement that "A study of all countries in which social insurance has been enacted will show that want, misery and suffering still exist, and in practically the same degree." Other grounds advanced in opposition to the measure by insurance representatives are set forth by the commission as follows:

(1) The test of any economic measure should be the net profit resulting from it. It cannot be shown that any net profit has ever accrued from sickness insurance.

(2) The development of individualism will be discouraged.

(3) Health insurance is paternalistic.

(4) If such a measure is passed and the experience of other countries is repeated, there will be increased sickness and of longer duration than before.

Of the evidence presented by fraternal-insurance societies an illustration is of interest, according to which "a laboring man may

*For much valuable information on the effect of national health insurance on the drug trade, see "Health and the State," by W. A. Brend, London, 1918. Also report of the departmental committee appointed to consider the drug tariff under the National Insurance Act, London, 1915. Prosecutions for overprescribing are of such common occurrence as not to attract attention.

†The accumulated Industrial reserve of twenty-three Industrial companies doing active business in the United States on December 31, 1918, was $67,153,715. This vast sum stands to the credit of Industrial policyholders, and that it is accumulated for the payment of future claims is entirely ignored by those who are making the propaganda for compulsory health insurance. In proportion to the premiums received by Industrial companies in 1918, the payments to Industrial policyholders, plus Industrial reserve increase, amounted to 90.5 per cent. of Industrial premiums received. This unusually high proportion was, of course, largely because of the heavy mortality payments on account of the influenza epidemic.

today purchase for a small charge of from 25 cents to 80 cents a month health-insurance protection which would pay him from $25 to $100 a month, (depending on his occupation) during disability from sickness. As a rule such health insurance and the combined premiums (for additional protection) usually runs from $1.00 to $1.25 a month." This kind of evidence, however, cannot, of course, be considered conclusive. In a general way, the insurance companies, societies, etc., did not actively concern themselves with the question, largely, no doubt, upon the theory that the problem was one primarily concerning employers and employees, on the one hand, and the medical and pharmaceutical professions, on the other. The commission, however, took occasion to point out that "some of the insurance companies are engaged in welfare-work in the Commonwealth, which appears from all accounts to be of a constructive and preventive character, and is being carried on apparently with quite a degree of success.*

*Attention may be directed to the list of scientific publications issued by The Prudential Insurance Company of America, as shown on page 4. These publications will indicate the growing interest of life insurance companies in the health progress of the nation and matters related thereto.

SECOND REPORT OF THE COMMONWEALTH CLUB OF CALIFORNIA, OCTOBER, 1918.

In continuation of its investigations, the Social Insurance Committee of the Commonwealth Club of California, prepared a second report, which was presented to the Club on September 19, 1918, at a meeting attended by about 450 persons, including 346 members. The discussion was with particular reference to the adoption of the proposed amendment to the Constitution, making special provision for the establishment of compulsory health insurance in the State of California. The meeting was presided over by the Hon. Albert E. Boynton, chairman of the California Industrial Commission. The chairman of the Social Insurance Committee, Mr. Ansley K. Salz, introduced the subject with some preliminary remarks favorable to the adoption of the constitutional amendment, but outlining various types of health insurance, as follows:

a. The general plan of the American Association for Labor Legislation which calls for administration by district boards comprising employers, employees and state representatives, also assessment of cost—forty per cent. to employer, forty per cent. to employee, and twenty per cent. to the state.

b. The tentative plan of the California Social Insurance Commission.

c. The proposal that free medical attention be provided for the entire state's population by the state.

d. The proposal that health insurance should be a matter of national instead of state legislation.

e. That only a voluntary system should be enacted.

f. That only cash benefit insurance be provided, and the beneficiary purchase his medical and hospital care, drugs, etc., as at present.

The urgency of the amendment was explained by reference to the problem of poverty and the causes of economic distress, the argument being advanced that, "While, to a certain extent, poverty is due to individual sloth or vice, these causes are insignificant compared to the hazards of life which are beyond the immediate control of the person affected, which descend here and there, like lightning, striking down their victims from a position of economic security to a position of temporary or permanent economic dependence." The foregoing, of course, is not an argument but merely an expression of personal opinion without scientific value in economic legislation. Equally unsatisfactory is the resulting conclusion that "Sickness prevention and sickness insurance should go forward together," for in no country in which social insurance has been in operation for a number of years has sickness prevention attained the measurable proportions com-

parable to the sanitary progress made in the several states of the United States without compulsion or coercion under the misleading terms of insurance.

The argument includes a very brief historical sketch of health insurance, but voluntary as well as compulsory systems are referred to indiscriminately, including, for illustration, those of France, Belgium and Denmark, which have nothing in common with the German system. The granting of state aid to voluntary systems as an encouragement to thrift is a totally different conception of social amelioration than the theory of coercion or compulsion which is obviously opposed to freedom of action in a field which heretofore has been left exclusively to private initiative. Furthermore, the French and the Belgian systems particularly, have little if anything to do with sickness insurance, being rather subsidized pension schemes during prolonged periods of disability and old age. No evidence is produced as to the economic needs of the wage-earners of California, but erroneous conclusions are drawn from a small group of dependent persons, chiefly such as are represented by those who are cared for through associated charities or who are otherwise in receipt of poor relief. It is argued that "all those most needing health insurance will not fail to be covered," regardless of the fact that under no system of social insurance in Great Britain and on the continent of Europe are the poorest poor adequately and properly provided for.

It is furthermore advanced as an argument in favor of compulsory health insurance that such a system will not require "new money to be raised for a new purpose," regardless of the fact that in every country in which social insurance is in operation large contributions are made by the state to supplement insufficient contributions raised jointly from the employer and the employee. Particularly has this been the case in Great Britian, and the facts are a matter of Parliamentary record and accessible to anyone anxious to ascertain the truth.

It is estimated that the cost of a number of benefits, the true expense of not one of which can be accurately determined at the present time, "will be approximately four per cent. of wages." In Germany the statutory proportion has been raised to six per cent., and it is estimated that it will reach ten per cent., to provide adequately for the needs of all who require sickness attention and sickness relief. It is further estimated in Germany that the total cost of all forms of social insurance will reach not less than *twenty-six per cent. of the wage-earners' income* if present methods continue to be followed and are amplified in accordance with the demands of the Socialist Labor

Party. This burden is not a natural one, but largely the result of an artificial system, under which malingering on an enormous scale is encouraged, to the moral detriment of wage-earners, to the pecuniary loss of employers, and the serious economic disadvantage of the state.

In another section of the report, and purely as a matter of guesswork opinion, the argument is advanced that "there will be no added cost for a system of health insurance," and that, according to the estimates of the California commission, which are not given in the report in such a form as is susceptible of analysis, the cost "will average about $1.50 per month per insured worker." In support of the theory that health insurance will materially aid preventive health measures, it is said that "Experience in all branches of insurance shows that prevention and insurance go hand in hand, instead of one before the other. The 'safety first' movement followed workmen's compensation insurance, instead of preceding it." This is in plain contradiction of the fact that insurance, broadly speaking, does not concern itself with prevention, and is historically incorrect, for the Safety Institute of America, in New York City, was established before the workmen's compensation law went into effect, and safety efforts in industry were developed with a fair promise of success before workmen's compensation laws gave additional force to the movement for safety first in industry. For some years at least, the Safety Institute of America, and the National Safety Council, have given extended consideration to safety in the home and everyday life without reference to workmen's compensation insurance, or insurance of any other kind.

The Social Insurance Committee answered the objection that compulsory health insurance will have a detrimental effect upon the medical profession, by the statement that "England's experience shows that the profession, by its own testimony was able to do better work and bring better care to the people under the English Health Insurance Act, than under the conditions of private practice, and that from a financial standpoint, also, the system has been found satisfactory to the profession." This is a grotesque and deliberate perversion of the facts. Private practice in England has been and is in every way superior to panel practice, and many panel patients prefer to pay their own physicians rather than make use of the services of panel doctors. Evidence to this effect is contained in practically every issue of the British Medical Journal, which contains hundreds of letters complaining of the thoroughly unsatisfactory methods of panel doctors' treatment, particularly in congested or industrial districts. From the financial point of view, the question of adequate remuneration has been one of almost constant controversy between the medical profes-

sion and the Government since the act went into operation, and never so much as at the present time. The demand is practically for a doubling of the capitation fee, which if granted, will involve enormous additional expenditures, which must be met either by a treasury grant from general taxation, or by a material increase in the contributions on the part of employers or employees, or both.

To advance arguments so plainly in contradiction of the truth does not enhance the respect of the impartial critic for the fairness of the Social Insurance Committee of the Commonwealth Club of California. The number of names signed to the major report is fourteen, while the minority report contains twelve. The report against the amendment among other arguments properly points out that—

> The insurance will not reach the lower stratum of society—that is to say, the sick, the needy, and the destitute. No provision is to be made for the care of independent workers, farm laborers, domestic servants and unemployed; hence the proposition is not humanitarian and will not, to any extent relieve the public from maintaining clinics, hospitals and other public charities for the sick poor.

This statement is in strict conformity to the fact, as can easily be ascertained by reference to poor-law practice in England and the records of poor-law institutions, which show a considerable proportion of paupers insured, or for at least part of the time, under national health insurance.

Equally to the point is the following statement that—

> The passage of this amendment will compel the workman to buy and pay for sickness insurance whether he wants it or not, and make his home subject to invasion by inquisitive political inspectors and investigators.

It is only necessary in this connection to refer to the "Behavior During Sickness Regulations," which have the force of statutory orders under the British Health Insurance Act, to emphasize the point that the liberty of the subject has been materially abridged and is in a fair way of being further curtailed by additional rules and regulations, which but a few years ago would have been considered absolutely opposed to every conception of English liberty and freedom in a democracy. It has been well said in this connection by Sir Arthur Clay, in the introduction to "The Dangers of Democracy," by the late Thomas Mackay, that—

> Dread of the advance of bureaucracy is spreading widely, and the latest triumph of State Socialism, the National Insurance Act, has seriously alarmed classes that have hitherto remained unaffected and unconscious of the rapidly growing menace to personal liberty.

And further, with reference to the act in its particular relation to the medical profession, that—

> This Act has already shown how State Socialism—beginning with the poorest classes—tends to draw higher grades of the community within its paralysing grasp: under its operation many members of one of the noblest and most intellectual professions, have been partly cajoled and partly forced to exchange freedom for servitude, and compelled to accept the rate of pay at which the state assesses the value of their services. When the profession at last realized the menace of their liberty they made a gallant fight, but the end was inevitable, and their resistance only served to show that a Government backed by a subservient majority in the House of Commons and possessed of unlimited patronage, is as irresistible morally as it is physically.

In contrast to the majority statement that the act will not increase taxation, it is said by the minority that—

> The commission confesses that the measure would cost not less than fifty millions a year in perpetuity—this in the face of the fact that the cost of government has doubled in this state within a few years and all are pledged to retrenchment. We are now given to understand that the state will not pay as fully as suggested at first. Does not this mean that employers will have to pay about all, or is labor to receive a part of its wages in this form?

Our foremost authority on economics, Professor Taussig, of Harvard University, has placed on record his view that social insurance, in its final analysis, is all paid out of wages, but while it may not bring about a reduction in wages it certainly hinders an increase in wages because of a shifting of the incidence of taxation.

With reference to the effect of compulsory health insurance on voluntary thrift, it is said that such a system "will cripple or destroy fraternal, mutual and trade union benefit funds, none of which will be able to compete with insurance organization subsidized by unwilling taxpayers." The Friendly Societies of England have either lost on the voluntary side or reached a stationary condition, over-emphasis being given to the state side of the business, which is naturally less difficult because of the element of coercion. The complaint is widespread throughout England, and sustained by the foremost authorities, that the old friendly society spirit, to which English wage-earners owe in a large measure their high standing in the labor world, has been irreparably injured by compulsory health insurance.

Equally emphatic is the concensus of qualified opinion as regards the injurious effects of the system upon the medical profession. The minority report points out in this connection that—

> The amendment will destroy medical freedom and progress. It will make the physician and his treatment subject to the whim of politician and patient alike. It will kill medical advance by removing from the physician incentive to individual work and lessen the future number of scientific medical men, because there will be no inducement to enter such a demoralized and degraded profession.

In conclusion, the minority members of the Committee point out that—"The suggested plan of social insurance leaves everything in the air. No one can tell, on the information we have, who will be affected, what the benefits, or what the cost."

This statement is fully confirmed by the history of the British act during the last seven years and the present chaotic condition of British legislation, which may be summarized in the statement that the changes in rules and regulations are so frequent and so numerous that no one is in a position to express a final view on all that is involved in this species of legislation. The British act has been amended a number of times, but particularly so in 1913 and 1918, equivalent to a recasting of very important and far-reaching provisions of the law. Questions are frequently asked in Parliament as regards the intention of the Government to bring up a bill for the complete reorganization of the system, or its possible amalgamation with unemployment insurance, so that all contributions may be uniform and paid on a single card, with the consequent elimination of innumerable bureaus, departments, and divisions of various kinds.

The first extended argument presented to the Club at the meeting referred to was by Mr. Chester H. Rowell, chairman of the California Social Insurance Commission. Mr. Rowell offered the proposed measure as "a real remedy for a real evil," supported by alleged *facts* which, as has been previously pointed out, are mostly fallacies and obviously such in the light of the experience which has been had in foreign countries. Mr. Rowell summed up the ten provisions of the proposed law in the statement that—

> Whenever any employee is sick he will receive, after the first week, two-thirds of his wages, and he will receive for himself or for any member of his family that is sick all of the medical care he needs. That means the care of physicians, it means the consultation of experts, of specialists, it means hospital bills if he needs them, it means maternity benefits when there is a child born in his family, it means a small funeral benefit when there is a death in his family. It means the things that we all have to have when we are sick, and which a good many have to get from charity.

Mr. Rowell, however, did not bring forward evidence from any trustworthy source that the proposed benefits could be realized in return for the proposed contribution, not exceeding, as pointed out in the majority report, a total of four per cent. of the wages. The cost of every benefit offered is purely a matter of conjecture, but abundant experience abroad has shown that, once in operation, a system of compulsory health insurance tends persistently to increase in cost out of all proportion to the contributions paid.

In an argument against the amendment, Mr. Marshall Stimson, a member of the Club, directed attention to the fact that in Great Britain "There was a class condition that made it necessary for her to have some palliative measure of that kind to relieve labor. If England, after the wonderful spiritual birth that she has had now, had that

question to decide over again, I do not think she would take it." The difficulty in England is one of long standing, due to the pernicious results of the poor-law of 1601, not remedied by the reform legislation of 1834. A condition of chronic pauperism in Great Britain is accentuated by intolerable conditions of housing and the chronic malnutrition of a considerable proportion of the working people. Instead of removing the causes or conditioning circumstances that give rise to poverty and pauperism and lead to a higher standard of life, the legislation of 1911 merely served, as pointed out by Mr. Stimson, as a palliative measure which has failed completely to bring about the improvement in health and material wellbeing anticipated by Mr. Lloyd George and others who followed the German example in the enactment of a law primarily intended to stem the rising tide of social discontent.

Equally to the point is the statement by Mr. Stimson with reference to German social insurance legislation, that "It took out of the German workingman self-reliance and self-dependence." Anyone familiar with the change in German character during the last thirty years may find in the social insurance legislation in part at least an explanation of the wrongful conduct of the war. The German workingman had ceased to think for himself and had become the abject tool of a bureaucracy sustained by Prussian militarism, with the sole objective of giving furtherance to the world ambitions of the late emperor, William II, and the German general staff.

Mr. Lloyd George, who is largely responsible for the British legislation, has placed on record his obligation to the German experience in the introduction to a treatise on "Insurance Versus Poverty," by L. G. Chiozza Money, M. P., in the following suggestive statement:

> In Germany the inception of the scheme was not unaccompanied by discontent, unpopularity, and gloomy prophecies. Its success is now triumphant, unquestioned alike by employers and employed. It was from Germany that we who were privileged to be associated with the application of the principle to the United Kingdom found our first inspiration, and it is with her experience before us that we feel confident of the future.

Mr. Lloyd George, however, never concerned himself with views to the contrary, did not examine into the existing body of facts, but readily permitted himself to be deceived by a cleverly conducted propaganda in the furtherance of German industrial ambitions.

Mr. Stimson also directed attention to the fact that "an enormous bureaucratic machine" would come into existence, and this, in very truth, has been the experience in England and on the Continent, so much so that tens of thousands of employees are required to carry on a largely unnecessary system of pretended insurance, mostly at low

wages, or at least at a rate of compensation out of all proportion to the technical value of the services required. For, whatever view one may hold concerning the necessity of social insurance, it is but fair to say of those who administer the act in Great Britain, and corresponding acts on the continent of Europe, that the higher grade of civil service employees are, almost without exception, men of exceptional ability, patriotically devoted to their always arduous and exacting duties.

In concluding a strong argument against the proposed legislation in the State of California, Mr. Stimson took occasion to say that, "The fundamental fact stands out paramount that social insurance cannot remove or prevent poverty. It does not get at the cause of social injustice." The evidence of English poor-law officials is practically unanimous that national health insurance has *not* been the means of diminishing the demand for poor-relief. The poor-rate throughout England is increasing and in some localities has reached intolerable proportions. The pecuniary relief guaranteed in the event of sickness, at the rate of ten shillings a week, is out of all proportion to the normal needs of a wage-earner's family not dependent upon charity or public aid. The demand, therefore, is persistent that the amount be doubled, which, however, is quite out of the question in view of corresponding demands for an increase in the value of other benefits, aside from persistent demands for an increase in the allowance for administration expenses on the part of approved societies and for the better remuneration of employees, insurance committees, etc.

Mr. Peter V. Ross, a member of the minority signatory to the report of the Social Insurance Committee of the Commonwealth Club of California, in his address, took occasion to point out the fallacies of the Commission's propaganda—"propaganda, by the way, carried on with public funds and in a spirit of bitter partisanship instead of that impartial investigation for which the commission has been created and financed by the people." There is probably no more deplorable illustration of the perversion of high legislative functions than the work of the Social Insurance Commission of California in making propaganda for a social insurance amendment, instead of concerning itself exclusively with the truth and the facts as required by the legislature in its efforts to arrive at an impartial conclusion concerning the merits of the proposition under consideration.

Mr. Rowell, in closing the discussion, took occasion to state that "the statistics indicate that the amount of fraud and malingering found in Germany cannot have been large, and, according to the British reports, which are more accessible now, the British experience is to the effect that fraud and malingering are exceedingly small."

But Mr. Rowell evidently was entirely without definite information on the subject, for every report of the German local sick funds emphasizes the evil of malingering and imposition, so much so that it is not going too far to say that fifty per cent. of the cases investigated, claiming sick pay, were found to be fully able to return to work. The same lamentable condition has been disclosed by the medical referees in the United Kingdom.*

It is a wrongful statement to assert that the proportion of fraud and malingering in England's experience is exceedingly small. The truth about the matter is that the facts defy analysis. The term "incapacity for work" in English law is not definite or practically definable. An enormous amount of treatment is required for minor ailments involving prolonged absence from work to secure at least one week's sick benefit, which, under the proposed California legislation would be extended to two weeks, since nothing is payable during the first seven days. Mr. Rowell concludes his argument with the statement that:

> Anyone who has studied the British system for four minutes will know that there is already in complete operation there a system which infallibly collects all the fees, practically without expense, without intrusion, without police, by taking it from the pay-check before it is given out, through a stamp system. In the twenty seconds, however, left I cannot go into the details of the stamp system. We do not need to worry about it. We can borrow it ready made from the British experience.

This statement is perhaps the most misleading of all and it is difficult to believe that it was not made in complete ignorance of the facts. As chairman of the Social Insurance Committee, Mr. Rowell had exceptional access to sources of information which should have made it clear to him that the expense, for illustration, has been very considerable—so much so as to prove a very material burden to the English taxpayer. The facts in the case have frequently been presented to Parliament, although never in a form to be entirely conclusive. For England and Wales for illustration, for the year 1918, the administration expenses are given as £2,634,000 ($12,801,000) but this statement falls far short of the truth since it is exclusive of the expenses of the Post Office and the audit departments, etc., employed in connection with the administration of the act.

Nor is it true that the collection of the contributions is made without police interference, for there is hardly a week during which somewhere in the United Kingdom some one is not subject to prosecution for nonpayment of the contribution, for the non-affixing of stamps to insurance cards, or fraud in connection therewith, etc. The con-

*See my discussion, "Failure of German Compulsory Health Insurance—A War Revelation," read before the Association of Life Insurance Presidents, New York, December 6, 1918.

cluding sentence in the remarks of Mr. Rowell—"We can borrow it ready made from the British experience"—is but a paraphrase of the words of Mr. Lloyd George with reference to the British act being borrowed practically in its entirety, and in all important matters of detail, from Germany.

It is something very considerably to the credit of the members of the Commonwealth Club of California that they should not have permitted themselves to be swayed by plausible arguments based upon sentimentality and guesswork opinion, but that they gave prior consideration to the interests of the State of California, as represented by a vote of 88 opposed to the amendment, and only 29 members voting in its favor.

REPORT OF THE WISCONSIN SPECIAL COMMITTEE ON SOCIAL INSURANCE, JANUARY, 1919.*

The State of Wisconsin has every reason to feel proud of the work of its Committee on Social Insurance. The report is a concise, well-reasoned argument, deserving a nation-wide appreciation. With admirable clearness the report presents in broad outline the essential questions involved in the controversy as to whether social insurance is desirable as a matter of state policy, or otherwise. Following a restatement of the resolution authorizing the committee and a reproduction of the Act authorizing the investigation—in connection with which it may be pointed out that only five thousand dollars was appropriated for expenses—the committee restates briefly the principles of proposed legislation and the position of both the affirmative and the negative, followed by a summary statement of the work of the committee, in connection with which it is said that "This committee, early in its deliberations, concluded that it must confine its labors to certain phases of social insurance only, if it was to arrive at any tangible results." The committee, therefore, concentrated upon health insurance and matters pertinent thereto, the members stating that "Their only aim was to properly inform themselves as to the measure and to give careful consideration to every opinion expressed, and to weigh with equal judgment all evidence presented by the various groups interested." The conclusion advanced is that "But few, even of the more interested groups, have given the subject any serious attention and are, therefore, uninformed, or at least meagerly informed, on the more important considerations involved."

This statement is absolutely correct and to the point. Regardless of an enormous amount of mere hearsay evidence and belief as regards certain anticipated benefits or results, it cannot be said that those who are most strongly in favor of compulsory health insurance have advanced their cause by a single contribution worthy of serious thought. It is to the credit of the Wisconsin committee that, at least within the limits of its legal appropriation, it made an effort to ascertain real facts and secure real information concerning the health and well-being, and most of all the health insurance needs, of the people of Wisconsin. The committee report states that "In order to determine whether the wage-earners of the State need compulsory health insurance, the com-

*This section on Wisconsin was originally contributed to *The Spectator* of New York, April 17, 1919.

mittee has set forth its findings under various titles, showing as far as possible the present financial condition of the workers, the different agencies now being operated to prevent illness and the extent to which sickness insurance is now in force in this State."

By way of introduction, a brief survey is presented of the wage-earners of Wisconsin, their earnings, occupational distribution, etc. The report observes that "It is perhaps reasonable to hold that the people of no other State are more industrious and thrifty than those of Wisconsin," and that "In dealing with the subject of compulsory health insurance we are, of course, exclusively concerned with the wage-earners of the cities and villages of the State. If their habits of thrift and independence are in part indicated by the character of the homes they have built for themselves, they are also measured in the figures presented by the building-and-loan associations, savings banks deposits and postal savings." By thus directing attention to what the wage-earners of Wisconsin have done and how successful have been their efforts on a basis of voluntary thrift and through voluntary associated agencies, the committee squarely opposes the methods of socialistic propagandists by directing attention only to the failures and to what has not been done, but which may be, after all, but a matter of minor consideration.

Briefly reviewing the different methods of voluntary thrift, as emphasized through building-and-loan associations, savings banks, home ownership, establishment insurance, the committee refers to group insurance, intimating that, according to the best information available, approximately 10 per cent. of the factory wage-earners in Wisconsin are protected by policies of this kind. The report states that four insurance companies out of six writing group insurance in Wisconsin report the aggregate of such insurance in force on December 1, 1918, as follows:

Number of group policies	57
Number of persons insured	17,262
Amount of insurance	$12,131,249

This form of social progress, it must be considered, being of very recent origin, is not, of course, as yet developed to anything like the extent to be anticipated in the near future. It, however, is gratifying to note that $12,000,000 of such insurance should have been placed voluntarily upon the lives of wage-earners in the State of Wisconsin by far-sighted employers, in response to an altruistic sentiment, dictated by unselfish considerations.

Labor-unions and fraternal insurance societies transact a considerable amount of sickness insurance, but the investigations into these activities were not complete, since returns are not required to be made to the Insurance Commissioner or to any other state official. This much, however, is made clear, that the actual needs of the people for such insurance are adequately met by organizations of this kind. The committee estimates that the total amount paid annually by trade-unions and fraternal organizations is probably more than $100,000. And it is estimated, further, that some thirty-six organizations transact sickness insurance, forty transact accident insurance and thirty-nine transact death and funeral insurance.

Those who make light of these comparatively unimportant economic results of voluntary effort overlook the fact that the real necessity for such needs is invariably met by some form or other of voluntary organization. In other words, to the extent that health insurance is really required, it may safely be assumed that adequate facilities have been developed, whether on a trade-union basis or in the form of private or commercial enterprise. In this country, where sickness is comparatively rare and of rather short duration, its economic importance is decidedly less than in European countries. In Europe even the loss of a few days' wages may spell ruin to an unfortunate workman, living on the narrow edge of poverty and pauperism. In this country the economic losses in consequence of sickness are among the mass of our wage-earners much more easily made good out of surplus earnings or through the use of the credit function, leaving, therefore, a much lesser necessity for either voluntary health insurance or health insurance on a compulsory plan.

Following a reasonably thorough consideration of the question of insurance in its voluntary aspect, the committee takes up in some detail such problems as climate and health, housing and sanitation, dependency and poor-relief, etc. On the basis of such information as it could secure, the committee estimates the probable cost of compulsory health insurance in the State of Wisconsin to be $20,000,000 per annum, of which, respectively, $8,000,000 would be paid by employers, $8,000,000 by the wage-earners and $4,000,000 by the tax-payers of the State.

With rather unusual courage the committee takes up the question of organized labor and its endorsement of the principles of health insurance. "It seems to the committee," says the report, "that labor in the State of Wisconsin is not at this time sufficiently informed to either favor or oppose health insurance." The same may be said to be true of practically all the other interests which so emphatically

advocate health insurance, chiefly on the basis of arguments provided by the American Association for Labor Legislation.

Reviewing also the employers' position and that of the Christian Scientists, the committee takes up at length the question of state and local health boards and emphasizes the means by which their utility may be increased. The report discusses at length the question of state sanatoria, health work and schools, mortality among young children, amplified by observation on welfare-work, occupational diseases and the broader questions of health insurance and workmen's compensation. No phase of the question, perhaps, has been more deliberately misrepresented than the true relation of workmen's compensation to social insurance. Following the statement made by Surgeon General Blue some years ago that "Health insurance is the next great step in social insurance," it has been argued that because of the success of workmen's compensation and the earlier opposition thereto, it is a forgone conclusion that health insurance would prove equally satisfactory and become practically universal throughout the country, once the experiment had been tried in a single State. The difference between workmen's compensation and compulsory health insurance is emphasized as follows:

> The doctrine of workmen's compensation naturally arises out of the pre-existing doctrine of employers' liability. It is not a new doctrine, but merely a modified method of providing a more satisfactory form of compensatory damages for injuries sustained in the course of the employment. The general acceptance of the principle as a matter of social justice rests upon the clear recognition that cause and effect in industrial accidents are so readily determinable that, broadly speaking, no controversy can arise in a large majority of cases. It, of course, was necessary to abrogate certain common-law defenses heretofore considered permissible under the old doctrine of employers' liability, but no one ever defended the old system on the principles of social justice but merely on the ground of legal justice and validity, of course, until modified by statutory enactments.
>
> In the case of sickness insurance the situation is, broadly speaking, completely reversed. With the exception of occupational diseases, no court or code has ever held an employer responsible for the general health of his employees. The causes of ill-health are not only extremely numerous, but cause and effect in other than infectious diseases are generally remote. Even typhoid fever, for illustration, may be contracted in one's place, but the disease may not manifest itself in a serious form until the person concerned has gone to some other place. As to how most diseases are contracted, or when they are contracted, it is often impossible to determine. Most pathologic or degenerative processes extend over long periods of time. Even in the case of lung fibrosis several years may pass after the initial damage has been done to the lungs before the symptoms are sufficiently determinable to permit of accurate diagnosis.

Upon the basis of such well-reasoned facts and considerations, the committee concludes that it "has not been convinced from the evidence presented that there is any necessity for such an Act (Compulsory Health Insurance), for," it says, "the wage-earners of the State are on the whole thrifty and independent, and they have not sought paternalistic direction or aid in their private affairs and home life. We believe that the Liberty Loans and the Thrift-Stamps campaigns have proved a remarkable development in the savings habit, especially among the wage-earners, which will further aid this group to tide over periods of sickness."

As an alternative, it is proposed to recommend a series of well-considered health measures, observing in this connection "that if the State of Wisconsin has not as yet through proper legislation realized her own responsibilities in raising the health standards of her population to their highest attainable point, then the opportunity to do so is still within her grasp." And furthermore, "it would seem wise to hold that the expenditure of $1,000,000 for preventive measures will serve the cause of public health in the State more effectively than the expenditure of twenty times that sum in an experimental curative." Attention is directed to the fact that "the remarkable results being obtained in this State by means of preventive work inaugurated by the state and local health departments are more than gratifying, considering the limited appropriations available for the purpose." They, therefore, argue that "since any compulsory health insurance measure which contemplates a contribution to the fund on the part of the State will first require a Constitutional amendment, the committee in the meantime offers the following suggestions:

1. We urge upon the Legislature the necessity for more liberal appropriations for the support of the State Board of Health and the encouragement of correspondingly liberal appropriations on the part of the local boards of health, including the appointment of a paid county health officer in every county of the State. We also deem it advisable to direct special attention to the State Health Laboratories, with the hope that they may be made in the course of time centers of preventive medicine and become useful in the possible future development of so-called group medicine.

2. We urgently recommend the universal introduction of physical and medical examinations into all the public schools and other State educational institutions in Wisconsin. We have arrived at the opinion that a reorganized State health service must rest primarily upon adequate methods of child and school hygiene, including the periodical physical and medical examination of all children during the period of school life.

3. As a means of securing more adequate care, especially during prolonged illness, we are of the opinion that the Legislature should give encouragement

to the establishment of district nursing centers of various types best adapted to local requirements.

4. The reduction of infant mortality should be made a part of the public health programme, and we recommend that a bureau of child welfare be established in connection with the present State health organization.

5. The Legislature also should give liberal encouragement to the development of financial community support of hospitals and sanatoria, as most urgently called for by local conditions, subject, of course, to wise variation throughout the State. We, however, feel that every county should have not less than one thoroughly equipped modern hospital for general purposes.

6. While our investigations have not disclosed very serious deficiencies in the housing of our wage-earners, we are of the opinion, nevertheless, that the Legislature should provide for the adoption of a comprehensive housing plan adapted to the future needs of our growing industrial population. The relation of ill-health to unsanitary methods of housing is so clearly established that it requires no arguments to reemphasize the urgency of this recommendation by an appeal to the facts, which are understood by all who have given the matter serious consideration.

7. We are of the opinion that occupational diseases should be included in the Workmen's Compensation Act and recommend that proper legislation to this end be enacted.*

8. Finally, we would recommend that the State Insurance Department concern itself more actively with the supervision and control of voluntary insurance undertakings having for their object the pecuniary relief or medical attendance, or both, of wage-earners during more or less prolonged periods of illness. It seems to us that a standardized plan of organization and procedure might be worked out under the direction of the Insurance Commissioner and recommended to the wage-earners of the State, as well as to the employers of labor, for individual or collective adoption.

These recommendations will commend themselves to any impartial, critical observer as convincingly sound and to the point. They are in conformity with our American theories of government and are both practical and constructive. If carried out, even in part, the benefits to the people of Wisconsin should be far-reaching and profound. The world of insurance is under a lasting obligation to the committee for its sane and wise conclusion on the function of voluntary thrift in the domestic economy of the American wage-earners and for its uncompromising hostility to ill-considered schemes and plans of socialistic change, in a field in which even the best informed may well proceed with extreme caution. The report should be read with unusual care by all who are interested not only in insurance, but also in the larger problems of national health and well-being.

*The Legislature of Wisconsin promptly passed an amendment to the Workmen's Compensation Act to include occupational diseases, which amendment became effective July 30, 1919. The promptness of this action illustrates the manner in which far-reaching improvements in industrial relations may be brought about without the elaborate and costly machinery required for Compulsory Health Insurance.

The recommendations made by the committee deserve the most thoughtful consideration on the part of each and every State, since they are applicable, not only to Wisconsin, but to the nation at large. It should be said, in conclusion, that the report is signed by W. W. Albers, chairman, Theo. Benfey, W. L. Smith, and John P. Donnelly, secretary, members of the Special Committee on Social Insurance.*

*In marked contrast to the sane and conservative views of the Wisconsin Committee on Social Insurance are the erratic theories advanced by Prof. John R. Commons, of the University of Wisconsin, in an address on "A Reconstruction Health Program," delivered at the fifteenth annual meeting of the National Tuberculosis Association. There is nothing to indicate that the address has any direct bearing upon the tuberculosis problem, being merely a restatement of misleading views and fallacies on the subject of health insurance. For illustration: Professor Commons remarks that "It is a curious fact that our insurance experts, who try to prove to us that the purpose of insurance is not prevention but relief, wish to turn over the prevention of sickness in industry not to our business men who control the industry, but to our politicians." A more absurd suggestion has not been advanced by any one making propaganda for health insurance. All insurance has for its primary and essential purpose the payment of losses, and prevention is necessarily only a secondary function, entirely missing in many if not most forms of insurance properly conducted as a matter of private business enterprise. Just as Professor Commons deliberately perverts the true function of insurance, he would pervert the function of health administration. The duty and responsibility for sanitary reform does not rest upon business people but upon the Government, and vague theories and misleading views can only prove productive of serious harm. It is typical of the modern socialist, however, that he is fatuously indifferent to the facts.

Professor Commons has not qualified as an expert in either insurance or public health, but it might be expected of him that he should have sound theories of economics. To argue that "Our wealth is not in our resources and climate but in the coming men and women," and, that "the doctor is our greatest producer of wealth," is argument carried to the point of ridicule. Anyone familiar with elementary economics, even though not much more than a high school graduate, knows that wealth in the true sense is material and not personal. In the words of Professor Seligman, "Health is not wealth although it may be the basis of wealth; wealth exists for man, but man himself is not wealth; wealth may be produced by man but it is the product, not the producer, that constitutes wealth."

Thus the learned professor disqualifies himself not only as an expert in insurance and public health but also in economics, which he is supposed to teach to university students seeking for the truth. The cause of health insurance is not advanced by the reckless utterance of platitudes and absurdities, plainly in contrast to the truth and the facts of human experience.

REPORT OF THE CONNECTICUT COMMISSION ON PUBLIC WELFARE, JANUARY, 1919.

Under date of January 18, 1919, a report was submitted to the General Assembly of the State of Connecticut by the Commission on Public Welfare, which had been appointed under an act approved by the Governor on April 19, 1917, and amended under date of May 3, 1917, to include the subject of occupational diseases. The report of this commission is most interesting, inclusive of not only the subject of health insurance but also hours of labor and minimum wages, old-age pensions, mothers' pensions, and occupational diseases. Although required to investigate a large number of subjects not at all related to one another, the commission wisely limited itself chiefly to the subject of health insurance as a matter which had been brought most prominently before the public, furthered and fostered by the propaganda initiated and maintained practically exclusively by the American Association for Labor Legislation. The commission enumerates seventeen specific advantages which it is claimed would accrue from the adoption of a system of compulsory health insurance, and fifteen disadvantages presented by those who are opposed to a compulsory system in any form. Among the arguments advanced in favor of compulsory health insurance, mention may be made of the assertion that such a system "will make complete medical care available to all wage-earners, their wives and children," and "will protect all wage-earners, including those who would otherwise lack the means or the foresight to insure." This has not been the case under any system of social insurance. Under the English system of national health insurance large numbers who are not technically wage-earners, but who are certainly a labor element perilously near to the poverty line, are not at present effectively and adequately protected, simply because of the fact that either no contributions are paid, or the contributions made as deposit contributors are insufficient for the purpose. It is equally absurd to argue that a "*complete* medical service" is made available to all wage-earners, for, as a matter of fact, even under the British system, as abundantly shown by Dr. William A. Brend in "Health and the State," the medical attendance is below the average and frequently decidedly mediocre and even thoroughly unsatisfactory. To furnish complete medical care, including under that term specialized services and special appliances, frequently exceedingly expensive, dental care,

etc., involves an expenditure which can not possibly be met by the joint contributions raised at the present time under any system of social insurance paid for jointly by employers, employees, and the State. Furthermore, in Great Britain, wives and children are not included, and although these have been provided for in the so-called standard bills introduced into the legislatures of the several States at the request of the American Association for Labor Legislation, no data exists, nor is any information available, which would enable a professional actuary to estimate with approximate accuracy the probable cost of such a system under whatever method of administration might be adopted. There is no alternative but a state medical service as the only practical solution in that the enormous cost of a highly complex and extremely burdensome system of insurance is avoided.

Among other arguments it is said that compulsory health insurance "will for the first time provide a body of accurate statistics on the nature and extent of sickness." This, broadly speaking, has not been the case in Germany, nor, for that matter, in England, and, as clearly brought out by Dr. Brend in his work "Health and the State," the results of statistical inquiries of this kind would be obtained only at very considerable expense out of all proportion to the practical results to be derived therefrom. In fact, in many cases the conclusions would be more likely to be misleading than useful for the purposes of an otherwise thoroughly efficient public health administration.

Equally misleading is the argument of those who are making propaganda for compulsory health insurance, that such a system would "tend to reduce lost time and labor turnover due to prolonged cases of sickness." As a matter of fact, and as shown by trustworthy experience, every system of social insurance tends strongly in the direction of an increase in loss of labor time due to malingering and feigned sickness, particularly during periods of unemployment. The fact has been brought out for certain districts of England that, under a method of medical referees, or one in which patients are carefully re-examined to ascertain actual incapacity for work as a prerequisite for the payment of sickness claims, about sixty per cent. were found to be fully able to work. Quite to the contrary, every system of social insurance increases the difficulties of the labor turnover and diminishes industrial efficiency by reducing normal labor time.

Of the arguments opposed to compulsory health insurance, perhaps the most suggestive is the last made mention of by the commission, to the effect that such a system "does not sufficiently emphasize prevention of disease." All social insurance more or less hinders sanitary progress in that it results in apathy and indifference to any

and all health-promoting activities because of the fact that a premium is paid on voluntary absence from work or the exaggeration of slight ailments converted into prolonged periods of alleged illness.

Reviewing carefully and impartially the arguments advanced for and against compulsory health insurance, largely on general grounds, but theoretical rather than practical, the commission concludes that:

> Both the supporters and the opponents of the compulsory principle have appealed for support to the results of compulsory health insurance in England under the National Insurance Act adopted in 1911 but, although the arguments for and against are interesting, they have not brought conviction to the minds of the Commission for the reason that sufficient time had not elapsed between the enactment of the law and the entrance of the English people into war with Germany to furnish a sufficient volume of dependable experience, and the living and industrial conditions in England since her entrance into the war have been so abnormal that, if completed data during this period were obtainable, it would not furnish a safe guide.

The commission quotes Mr. Samuel Gompers, president of the American Federation of Labor, Warren S. Stone, Grand Chief of the International Brotherhood of Locomotive Engineers, Hugh Frayne, Organizer of the American Federation of Labor, and other nationally prominent labor leaders, as having recorded their views against compulsory health insurance. We, however, call attention to the fact that the State Federation of Labor of New York, which at first opposed compulsory health insurance, subsequently presented a bill, which has not become a law.

Referring to the opposition of Connecticut industries, the commission points out that:

> All of the employers of labor who appeared before the Commission opposed the plan for compulsory health insurance incorporated in Senate bill 508 and with one exception strongly opposed compulsory insurance in any form. They were unanimous in the opinion that it would be unwise for the General Assembly at this time to consider legislation relating to compulsory health insurance, old age pensions or the minimum wage.

As regards the viewpoint of the medical profession, it is said that the members thereof deprecated "any action on health insurance at the present time; declaring that it was a matter to which a great deal more thought and study should be given; and that those of their number who were best informed were either in the military service or so much absorbed in additional duties incident to the war that they could not give us the benefit of their knowledge."

In continuation, the commission draws attention to the fact that efforts are being made to develop a state policy with reference to

health and sanitation which would preclude the necessity of establishing any form of compulsory health insurance at the present time. Such a measure, the commission says:

> Offers a very elaborate plan for the organization and administration of a department of health, with the establishment of divisions of administration and finance, sanitary engineering, laboratories and research, statistics, communicable diseases, publicity and education, child hygiene, public health nursing, tuberculosis, and hospitals. It may be urged that such a plan might be less socialistic than the measures proposed for compulsory health insurance, which includes many of the alleviatory features included in this latest scheme, but it certainly is not less paternalistic. It may also be that the operation of such a plan would prove less expensive to the State than a compulsory health insurance law; but, in our opinion, either would prove more of a burden than the State of Connecticut would care to assume at this time.

Concerning the cost of health insurance, the commission points out that the proponents "have not presented to us anything beyond the statement that the expense of the usual form of compulsory health insurance would be in the neighborhood of 4% of the wage, based upon Germany's experience," but it is urged that "the benefit to the State of any such system would be worth all of the cost however great; and that it would be to some extent at least merely a redistribution of present cost disbursed in the form of public and private charity, poor relief, etc." This statement is mere conjecture, for all such estimates are only guesswork opinion and without any substantial basis of fact and experience deserving of professional actuarial consideration. If the German experience requires only 4% of the payroll, it is a foregone conclusion that the expense in this country would be quite considerably in excess of the German estimate, more so in view of the fact that every bill thus far proposed includes a large amount of additional services not provided for under any system of social insurance in European countries. The commission, however, refers to the fact that, according to such estimates as have been arrived at on the basis of the best possible information, the cost of compulsory health insurance to the State of New York would not be less than $96,000,000 per annum; and for the State of Massachusetts, $40,800,000. These estimates refer to 1916, but for 1918, when the so-called Nicoll Bill was under consideration in the State of New York, the estimated cost per annum was raised to $136,891,000. The commission points out in this connection that: "If these figures bear any relation to the fact, and so far as we have been able to ascertain their substantial accuracy has not been publicly questioned, the cost under

the Mills Bill to the State of Connecticut, with an estimated population of 1,250,000, would be about $11,424,000, and under the Nicoll Bill about $16,290,000."

Summarizing all the information presented to it at hearings or otherwise, the commission concludes that "the time has not arrived, and for the reasons hereinbefore given, the General Assembly may, with entire propriety postpone further legislative consideration of this phase of social insurance until the change in our national, State and personal relations resulting from the war have been fully readjusted."

Likewise with reference to old age pensions, the conclusion was arrived at that:

> We may criticise the ineffectiveness and the cost of existing forms of voluntary insurance against the disabilities of age, just as we may realize that a considerable burden is imposed on the State for the maintenance of those who, for one cause or another, are unable either to work or to find work and so become wholly dependent on the State or on private charity. Notwithstanding this, it is doubtful if the situation in Connecticut, with regard to the extent of the disabilities or the necessities of those who become so disabled, is so acute as to call for the initial experiment in this respect to be made by the General Assembly.

In contrast to the recommendations adverse to the adoption of compulsory health insurance and old age pensions, the commission suggested favorable action regarding mothers' pensions, referring to some thirty-six States in which such laws have been enacted, under which dependent mothers may receive allowances to an amount which would be required to meet the cost of care of children in institutional homes. The commission therefore states that:

> The General Assembly may therefore well consider the propriety of following the example of so many of the States, and either make provision directly for allowances of this kind at the cost of the State, or confer upon the towns the necessary power and authority to make such allowances in lieu of the relief which may be furnished under the general statutes.

Appended to the report are a number of special papers on draft statistics, sickness statistics, mortality statistics, disability data, and information concerning dependency; also drafts of different compulsory health insurance bills, particularly those introduced in the State of New York. Attention may be directed to the appendix of data relating to health conditions in Connecticut, clearly emphasizing that, in the main, the mortality rate for a period of years reflects health conditions which bear favorable comparison with those of other

States. Of course, in a State of intense industrial activity, it is self-evident that the mortality from tuberculosis should be above the average for the registration area, but it is significant that while the tuberculosis death rate for Connecticut was 143.3 per 100,000 during the two years 1915-16, it was 157.0 for the State of Rhode Island. The appendix on data relating to health conditions includes the urgent suggestion to the commission that it consider,

> the question of a strong recommendation to the Legislature that all State boards having to do with matters of vital and immediate concern to the public should be required to make annual reports instead of reporting biennially as is at present the case. Reports on charities and corrections, or health and labor conditions, having reference to conditions two or three years out of date, can not possibly prove effective in molding public opinion and in bringing about required changes and reforms. It is true that some boards publish monthly bulletins which are most valuable, but which can not take the place of a well reasoned annual review of the health, the relief, the labor, and the related problems concerning the welfare of the people of the State.

Of special importance is the recommendation of the commission with reference to occupational diseases that "any disease arising out of and in the course of employment should be within the provisions of the compensation law," and that "the experience acquired in the administration of the compensation law, supplemented by what has been reported to the Commissioner of the Bureau of Labor Statistics, will justify this State in following the example of the British Parliament and the Parliament of Ontario by extending the benefits under the Workmen's Compensation Law to disabilities resulting from occupational diseases."

The report is evidence of the entire fairness and impartiality of the commission. The conclusions adverse to the establishment of health insurance are based upon evidence sufficient to prove that such a system was not desired nor required by the people of the State of Connecticut, but that obviously the propaganda had been initiated almost exclusively by the American Association for Labor Legislation in the City of New York. To enact legislation not called for by every consideration of public policy is obviously contrary to American ideas of self-government and is a peril to the perpetuity of democratic institutions.

The report of the Welfare Commission is fully confirmed by an investigation made in 1918 by the State Department of Labor into the whole subject of industrial conditions, including welfare work, young mothers in industry, the sanitary relation of employment to disease, the high cost of living, vocational education, etc. The recommendations of the department make no reference whatever to social insurance as a solution, but among other suggestions the following may be enumerated: (1) The passing of a law preventing the employment of young mothers in both textile and metal industries; (2) Direct lighting instead of the diffused indirect should be used in every factory where the work requires close attention to the operation of the machine; (3) Rigid requirement should be made for reporting of diseases causing any form of blood poisoning.

REPORT OF THE OHIO HEALTH AND OLD AGE INSURANCE COMMISSION, FEBRUARY, 1919

The Ohio Health and Old Age Insurance Commission was authorized by the legislature in 1917, and the first report was made under date of February, 1919. The first meeting of the commission was held September 5, 1917, and from the outset the commission carried on its investigations in co-operation with the Ohio Federation of Labor, the Ohio Manufacturers' Association, the State Medical Association and the Ohio Conference of Charities and Corrections. The commission was provided with sufficient funds to justify the employment of professional investigators more or less familiar with insurance,pensions, occupational disease hazards and general medical and social problems. The report covers practically the whole field of social insurance, commencing, however, curiously enough, with a discussion of child vitality; followed by national vitality; sickness, dependency and economic distress; disability rates and distribution; the responsibility for sickness; who pays for sickness; liability for losses from sickness, and measures of prevention. The subject of health insurance, considered by itself, includes such considerations as the history of the movement, maternity insurance, and the minority reports of members of the commission. It is rather contrary to the accepted methods to include minority reports in the text of a majority report, on account of the inevitable confusion of conclusions. The subject of old age and old-age pensions is discussed chiefly by Dr. John O'Grady, including such questions as the old man in industry, old age in Hamilton and Cincinnati, care of the aged and sick in Ohio infirmaries, the aged in private institutions, present status of the aged, old age assurance, the cost of old age pensions and, finally, a minority report on old age pensions, by Mr. M. B. Hammond. The report concludes with a number of appendices on the health-insurance movement in the United States, by Messrs. John R. Commons and A. J. Altmeyer, national health insurance in Great Britain, by Edith Abbott, sickness insurance in Germany, by Henry J. Harris, the health of Ohio coal-miners, by Emery R. Hayhurst, M. D., old-age pensions in the British Empire, by W. B. Weidler, and, finally, a summary of the health and sanitary laws of Ohio, by Esther Helen Burns, and a summary of the testimony given before the commission The appendices, which are almost entirely by partisans of the health-insurance propaganda, take up a little over

one hundred pages, whereas the evidence presented before the commission by citizens of Ohio and persons directly interested in the proposed legislation is dismissed with fewer than fifty pages. There has been entirely too much padding of reports of this kind with so-called evidence of alleged experts in social insurance, representing only a rehash of old ideas derived from official reports. It is most regrettable, therefore, that the Ohio commission should not have given publicity to the facts presented before it at the hearings held to ascertain the true state of public opinion concerning the proposed measure, the want of which is most deplorable in the literature on the subject.

It is difficult to summarize so large a report within the required limitations of space, but the introductory statement is sufficient to indicate a strong bias on the part of the director of the investigation towards compulsory health insurance without any reference whatever to the evidence on the subject. It is said for illustration, that the "Statistics of child vitality disclose an unsatisfactory condition." Whether or not this be so is quite immaterial in an impartial discussion of compulsory health insurance, which has for its sole purpose the insurance of wage-earners and the betterment of health conditions of men and women employed in industry. It can not be argued, however, that child mortality in Ohio is distinctly unsatisfactory, although, of course, improvements are possible in this as in every other direction in which modern health activities are being successfully applied. Nor does it bear upon the question of health insurance to argue that "The children who do not die appear to be growing up with far too many defects which may develop into the disabilities of later life." Granting this to be true, it has no relation whatever to compulsory health insurance, which concerns itself practically exclusively with the payment of pecuniary benefits in the event of sickness and a provision for medical attendance. No social insurance in the world has as yet even commenced to deal with the growing child and to initiate correctional measures and means to prevent a large amount of physical and mental impairment, largely in consequence of a crude and ill-adjusted system of education. The references in the report to sickness and economic distress, losses from sickness and factors causing sickness are not sustained by the evidence collected by the commission. There are quotations, it is true, which seem to have been derived from special investigations, but the entire presentation of the matter is crude in the extreme. To quote the estimates of Fisher as to the loss of working capacity in the case of tuberculosis at 50 per cent. is merely to give wider currency to guesswork opinion in matters which require extreme care in their presentation to avoid false conclusions. The report is

filled with generalities not substantiated by the necessary evidence, which properly should be the sole basis of a report of this kind. Thus it is said, for illustration, that "workers are often seriously handicapped temporarily or permanently by being crippled or otherwise unable to do a full man's work." What the real facts are, is at the present time unknown, and it serves no purpose to reiterate platitudes serving no useful end. To say that "Tuberculosis can be checked only by community action" is to make a statement which is not in conformity to the facts. A vast amount of tuberculosis is brought under effective control by individual efforts or personal care, in conformity to modern sanitary requirements, without any reference to action on the part of the community. It is also extremely doubtful whether the hypothesis can be maintained that "the great bulk of diseases is due to causes arising from a combination of individual, community and industrial causes." It is much more likely that not one of these factors is chiefly responsible for the health of the individual, and it is certainly true in the case of the infectious and transmissible diseases, in which community indifference or neglect is chiefly at fault, or in diseases due to personal hygiene, for which the responsibility falls chiefly upon the individual.

As to the question "Who bears the burden of sickness," it is said that "The direct burdens of sickness are now borne almost entirely by the individual and the public." Obviously, they could not very well be borne by any other persons or powers! It is said that "Roughly speaking 35 per cent. of the workers have sickness insurance for about 10 per cent. to 15 per cent. of their loss;" but no statistical evidence is provided in the summary to substantiate the statement, which, if true, is of material importance. Wrongful use is made of the statistics of industrial insurance companies by merely stating the amounts received in premiums and the amounts paid for losses. The substantial sums set aside as reserve to meet future liabilities are complacently ignored. This error was clearly brought out in the second Massachusetts report, in contradiction of a similar allegation made in the first report. This error is also readily disproved by the facts obtainable from official sources. The bias in favor of compulsory health insurance permeates the entire report. Practically every important assertion is vitiated by the influence of preconceived ideas, which should have no place in an official investigation. To say, for illustration, that "The causes of sickness are so intertwined among the three factors as to make segregation of blame impossible and, therefore, it is necessary to apportion the whole liability among the three factors with reasonable fairness," is merely to argue in favor of compulsory health insurance

without an appeal to the evidence, which should be presented to sustain a so far-reaching conclusion. As a matter of fact, the blame or responsibility for sickness is easily placed where it belongs. Cases of typhoid fever rarely involve individual responsibility, but almost invariably represent community apathy, indifference and neglect; while cases of alcoholism and arteriosclerosis are largely in consequence of erroneous habits of living, and for which no one would think for a moment of holding the community responsible.

The foregoing illustrations are sufficient to emphasize the unsystematic and badly reasoned manner in which the summary findings of the commission are presented to the public. There is a constant confusion of what is evidence with what is mere opinion and of what is fact with what is merely theoretical assumption. Having argued at the outset that the statistics of child vitality (which, by the way, is a misleading term) disclosed an unsatisfactory condition, it is argued with reference to health administration and medical service that "The State Department of Health is well organized and nothing further is needed except the creation of new divisions and enlarged appropriations, from time to time, to meet the enlarging needs." In fact, there is not a State in the United States which today has a "health" department in the true and modern sense of the term. Every health organization rests primarily upon the antiquated conception of quarantine regulations and their enforcement by the police power, chiefly with reference to the control of infectious and transmissible diseases. The health department, generally speaking, rarely becomes operative until the disease outbreak has assumed alarming proportions. It is a department to prevent further deaths and to bring about a deliberate reduction in the death rate, rather than a department for the improvement and maintenance of the health and the physical wellbeing of the people. Ohio, in this respect, is as urgently in need of radical reforms, as is every other State in the United States, and the Public Health Service of the United States itself.

Practically all the statements are vague and general in their nature. They do not afford a means of comparison with standards of health and longevity acceptable to those thoroughly familiar with the facts. To state that "There are 150 hospitals and sanatoria with about 25,000 beds for patients" is utterly meaningless unless the facts are correlated to population and compared with the normal proportion of hospital accommodation for the population of a modern State.

In the same manner, the statement that there is on the average one physician to every 650 people is a meaningless assertion, unless it is pointed out what the proper standard or measure of representation

would be. To refer slightingly to the practice of medicine on an individualistic basis, without any evidence of gross defects and deficiencies, under existing conditions and methods, is to misuse the power of argument in a final report, where there is no opportunity to make a reply. What the report has to say regarding tuberculosis, feeble-mindedness and venereal diseases is all, for the same reason, to no practical purpose. It is a wrongful assertion to maintain that "The situation growing out of the spread of venereal diseases is nothing less than a national peril," while, as a matter of fact, probably never in the history of this nation has the ratio of infected population been as low as at the present time, while, conversely, the methods of prevention, treatment and control have never been as thorough and efficient as they are today.

Following the preceding introduction, the report presents an outline of a plan for health insurance, marred by a mass of platitudes and generalities which are a hindrance rather than a help to the earnest student of the subject desiring to know the truth and nothing but the truth. It is said that such insurance "should be carried by local carriers democratically administered." As a matter of fact, no health insurance fund anywhere is administered in a thoroughly democratic manner jointly and in all fairness by representatives of labor, industry and the State. It has been said in this connection in the report of the Fabian committee of inquiry regarding the British national health insurance that "We regret to report that any such reliance on democratic self-government is in so far as the great majority of insured persons is concerned, a delusion and a snare." There is a brief reference to European experience with health insurance, but no indication of a thorough study of European methods, and, least of all, the experience of the last few years in Great Britian. It is wrong to assert that the leading industrial nations of Europe have passed beyond the stage of voluntary health insurance for wage-earners, when France applies the compulsory system only to miners and Belgium has not found it necessary to establish compulsory insurance at all.

It is further misleading to refer to our American experience with workmen's compensation as experience with social insurance. Compensation for the results of industrial accidents is a totally different matter from a system of providing pecuniary benefits in the event of sickness, largely at the cost of the employer and the State. In the former the responsibility for such accidents is easily placed and directly traceable, while in the latter it is extremely difficult, if possible at all, to place the burden for sickness prevalence upon any one but the employer, who is expected to pay two-fifths of the expense.

The discussion of maternity insurance fails to take into account the far reaching changes proposed in Great Britain and the controversial aspects of maternity benefits, as well as the recently adopted reform measures providing for state maternity and infant care without any insurance whatever. To establish a burdensome, costly, bureaucratic system of insurance to secure to mothers and their children proper care is a grotesque perversion of the fundamental theory of government, that the end sought should be secured at the least possible friction and expense.

As to the cost of health insurance, the report contains no careful estimates, actuarial or otherwise, which would be acceptable to any one familiar with elementary business considerations. What the cost of any system of health insurance is likely to be depends entirely upon the benefits granted, and every health insurance bill thus far proposed in the United States goes much further than any corresponding effort in foreign countries. In England serious cases of illness are either not provided for at all or not adequately so, and no provision is made for appliances, frequently costly if not reaching the proportions of prohibitive expense. In England health insurance does not include a death benefit, whereas most of the bills in this country have provided such a benefit of from $50 to $100. It also is a most important question as to whether the benefits are extended to members of the family, as is frequently the case under the voluntary plan of health insurance. Upon such a fragmentary and not clearly defined basis, however, the commission estimates the total cost of a weekly cash benefit at $12,600,000 per 1,000,000 of workmen. An equal sum is estimated as the additional cost if medical care is given to the worker and his dependents. The estimated additional cost of a death benefit of $100 would be about $1,000,000 per 1,000,000 workmen. Exclusive of expenses of administration the commission therefore estimates the total cost of a health insurance system for Ohio at $26,200,000 per 1,000,000 workmen. As the commission estimates 2,100,000 persons gainfully employed in Ohio in 1918, the aggregate cost of a health insurance system, including weekly cash benefit, medical care and a death benefit of $100, would have been not less than $55,000,000 for the year 1918. In addition to this huge total, a simple guess is made of the probable expense of administration, which is placed at $500,000. The report stands unequivocally condemned as a worthless contribution to the subject of compulsory health insurance by this crude and reckless estimate of cost, than which no question could be more vital to the people of the State of Ohio at the present time.

The illustrations given must be sufficient for the present purpose to emphasize the superficial character of an investigation amply provided with funds and fully in a position to employ expert ability of a high order to produce more conclusive results. The bias throughout is so self-evident that the final conclusions in favor of the adoption of compulsory health insurance are materially impaired in value as not being an unbiased expression of qualified opinion governed exclusively by the evidence in the case. Of the conclusions with reference to health insurance, space can be given only to the following:

> II. Health insurance should be required for all employees to be paid for by employers and employees in equal proportion. The State should pay all costs of state administration as in the case of the workmen's compensation act and all costs of supervision of insurance carriers.
>
> III. The benefit to workers under health insurance should consist of: (a) cash payment of a part of the wages of workers disabled by sickness; (b) complete medical care for the worker including hospital and home care and all surgical attendance and the cost of all medicines and appliances; (c) adequate provision for rehabilitation both physical and vocational in co-operation with existing public departments and institutions; (d) dental care; (e) medical care for the wives and dependents of the workers if the same can be done constitutionally and a burial benefit for the worker.

With reference to the preceding recommendation it may be said that very much more is provided than is now obtainable under the health insurance system of Great Britain. The medical care of British workmen is far from adequate in all cases, and decidedly inadequate in serious cases and in cases of prolonged illness. There is insufficient provision for institutional treatment, no provision for dental care, and wives and other dependents of wage-earners are not included under the British plan. The plan suggested by the Ohio commission, therefore, would be very much more expensive than the English plan, as to which it may be said that there is a constant demand for an increase in the cash benefit and an insistent request for better medical attendance, and most of all for specialized services of a really qualified character.

> VII. There should be a reasonable waiting period not less than six days before cash benefits are paid. Medical benefits should be given during the entire time of disability. Benefit payments should be continued as long as disability lasts but not exceeding three years.

This benefit is also extremely liberal, involving absolutely unknown items of expense. The fact is generally overlooked that under the British and German systems most of the benefits paid are with reference to illness of comparatively short duration; but the German system is far superior to the British as regards the care of sick workmen in cases of illness of prolonged duration. Not to pay cash benefits

at the commencement of sickness generally leads to absence from work until the benefit period has been reached. In other words, a workman slightly indisposed who would have remained away for perhaps a day or two discontinues work for a whole week to make sure that he will be entitled to his cash benefit.

Of the appendices to the report, perhaps the survey of the health insurance movement in the United States, by John R. Commons and A. J. Altmeyer, is deserving of special consideration. It is rather curious to find a final report enlarged by contributions from a member of the American Association for Labor Legislation, which is chiefly responsible for the propaganda in favor of compulsory health insurance. There is a careful avoidance of extended references to arguments opposed to compulsory health insurance, and only the evidence in its favor is extensively referred to. It is regrettable that the authors of the appendix should make light of the insistent and just demand for compensation on account of occupational diseases. While in years past the American Association for Labor Legislation concerned itself frequently with arguments in favor of the prompt reporting of and adequate compensation for occupational diseases, realizing that such compensation would make compulsory health insurance practically unnecessary in all cases where there would be a semblance of responsibility on the part of the industry concerned, it now holds that "the number of cases for which compensation is allowed is negligible." This, of course, is entirely due to the fact that modern sanitary progress in industry has largely eliminated lead-poisoning, mercurial poisoning, anthrax, etc. In England an act has recently been passed providing compensation for silicosis, or practically dust phthisis, which may be assumed to mark the beginning of ultimate compensation for all industrial lung diseases directly traceable to certain industries. Such compensation is just and fair both to the workmen and the industries concerned. The arguments against compulsory health insurance are summarized in less than one page in a report of over 400 pages. The most conclusive argument against compulsory health insurance is not properly mentioned, although the facts were available to the commission at the time, namely, that in California the people voted upon a constitutional amendment giving power to the State to undertake compulsory health insurance, and decidedly defeated the measure by a vote of 133,858 for to 358,324 against the proposition.

In the argument by Messrs. Commons and Altmeyer only what suits the purpose of the propagandists of compulsory health insurance is given adequate consideration. There is a totally inadequate presentation of the viewpoints of labor, industry, the medical profession,

pharmaceutical profession, and the general public opposed to compulsory health insurance. They, however, go far out of their way in attacking industrial life insurance companies, as being merely engaged in a business which provides for the payment of a sum certain in the event of death. They grossly mislead the public when they say that "The industrial insurance companies would suffer most of all, since they in reality supply what amounts to burial insurance." In no country in which industrial insurance is carried on has there been a diminution in business, but, quite to the contrary, rather an increase in income and insurance in force, partly attributable to social insurance because of the large sums distributed as sick benefits, a portion of which is undoubtedly utilized to pay insurance premiums. In England compulsory health insurance has been in force since 1911. The growth of the British industrial insurance companies during the following seven years has been prodigious, as shown by the table (p. 136), which also shows the growth of the German Victoria, established in 1892, or about seven years subsequently to the introduction of compulsory health insurance in that country. The returns for the Victoria, on account of the war, are limited to the period 1892-1914. For both Great Britain and Germany the statement is restricted to the number of policies and the amount of insurance in force. There is not the slightest reason for assuming that a similar result would not follow in this country if compulsory health insurance should become the law of any one State or of the United States.

The report of the commission was not unanimous. Mr. Robert E. Lee took exception to the recommendations concerning compulsory health insurance, observing, in part:

> I cannot subscribe to the declaration of principles made by the majority on this subject, feeling that the researches of the Commission or the information available to its membership, did not furnish convincing data to warrant their recommendation upon a subject which is practically new in this country, and upon which there has been no successful experience anywhere that proves that compulsory health insurance either reduces the amount of sickness or prevents it.

As frequently said before, the propaganda for compulsory health insurance is largely the work of the American Association for Labor Legislation and not properly the result of social unrest, demanding changes of far reaching consequences to those concerned. Mr. Lee remarks in this connection that

> There has been no general demand from the people of Ohio for the enactment of legislation upon the subject, and such demand as there is in evidence comes purely from the voluntary explorers of unknown, uncharted sociological ideas.

Proof of this statement is the small attendance and lack of general interest manifested in the public hearings held by the Commission. Disavowing any intention to be discourteous or offensive in my criticism, it has seemed to me that the chief effort of the chief investigator of the Commission was to gather data to support a preconceived theory rather than to show whether compulsory health insurance would reduce sickness, and, if so, suggest a practical method of its application.

On the subject of cost Mr. Lee briefly argues that

Should the General Assembly enact legislation conforming to the recommendation of the majority report, it has been estimated it would require from $30,000,000 to $80,000,000 per annum. The wide variance in these estimates indicates a decided lack of knowledge upon the subject. Furthermore, who will provide the funds for the expansion of hospital facilities, essential to the successful operation of the scheme, it being estimated that this item would require from $200,000,000 to $500,000,000.

The arguments advanced by Mr. Lee are sustained by extracts from the work of Dr. Wm. A. Brend, on the national insurance act of Great Britain, and the report of the committee on foreign inquiry of the National Civic Federation, (Mr. J. W. Sullivan, chairman), representing wage-earners generally and the American Federation of Labor. The objections by Mr. Lee are summarized in the statement that

I. The compulsory feature is wrong in principle, for it would mean the sacrifice of the independence of a large number of people.

II. The proposed distribution of costs does not equitably place the burden upon society as a whole.

III. Before adopting questionable experiments all possible resources should be utilized to prevent sickness.

IV. To place upon society as a whole the responsibility for individual failure would bring us dangerously close to policies which are at present of the gravest concern to the entire civilized world.

The brief report by Mr. Lee clearly presents the other side of a question, which has heretofore been almost exclusively argued from the viewpoint of the social reformer unfamiliar with the facts and forces of modern social and economic life. The most deplorable aspect of the propaganda for compulsory health insurance through such commissions as those of California and Ohio is the complete confusion of statutory functions as to the duty to investigate and the misused privilege to make propaganda for a measure in advance of the findings and recommendations of a commission which should solely have concerned itself with the ascertainment of the truth. There can

be no more regrettable miscarriage of effort or a more gross perversion of official functions than the misuse of the high privilege of a commission of inquiry to give furtherance to the propaganda of a self-appointed association of professional reformers, with its office in another State.

SECOND REPORT OF THE SOCIAL INSURANCE COMMISSION OF CALIFORNIA, MARCH, 1919

The Social Insurance Commission having been reappointed by Gov. William D. Stephens, a report was accordingly made to the members of the Senate and Assembly of the California Legislature, under date of March 31, 1919. It is said by way of introduction that "In compliance with the terms of the creating act, the commission determined upon an intensive study of the problems involved in the adaptation of a social health-insurance system to the economic and political organization of California, 'to the end that detailed recommendations might be included in its report to the legislature.'" It is said further that the commission "carefully investigated the operation of the industrial life insurance sold to persons of small income in California," and that "It has given much consideration to the problem of seasonable labor in California and the possibility of working out special devices for the effective insurance of persons employed as stevedores and longshoremen, and of those in lumbering and similar occupations." There is no evidence in the report, however, of such "intensive study." The report is a curious document, disclosing rather the absence of a thoroughly worked-out plan of investigation based, in part at least, upon the experience gained by the previous inquiry, to which practically no important reference is made, nor is practical use made of the conclusions therein advanced. There is no analysis of the hearings which are said to have been held, as to which the evidence is not printed, nor is there any reference to the extensive propaganda carried on by the commission, though not authorized by the act, and, by inference, contrary to the intention of the legislature as a function properly to be discharged by an investigating body. No mention is made in the report of the difficulties experienced by the commission near the end of its labors, when the State Board of Control refused to honor vouchers for expenditures, on the ground that the commission had not undertaken an investigation, but practically and, in the main, carried on, and almost exclusively so, a propaganda for the adoption of a constitutional amendment authorizing the State of California to undertake compulsory health insurance.

The commission agreed on and announced certain standards which it regarded as necessary to any bill adaptable to California conditions. These "standards" do not disclose that the commission was influenced

by its investigations, being, broadly speaking, a repetition of previous assertions or recommendations made by the first social insurance commission. In the "standards" the use of the word "premiums" is continued, although every compulsory health-insurance system rests upon contributions and not upon premiums in the accepted sense of the term. The extremely important matter of administration is very briefly referred to, in a reference to the "very full digest of the British act," although in the text of the report this "digest" is limited to two and a half pages. The digest in question is rather a reprint of the British law and not a critical analysis of the several provisions and the practically endless number of regulations, which have the force of law, issued or promulgated in connection therewith. It is alleged that the digest "will show, as to each detail, at least a method by which each problem has been and can be met." But, as a matter of fact, a series of volumes would be required to set forth the administrative and other difficulties experienced under national health insurance, and the very truth is that thus far not a single problem has been met to the satisfaction of those concerned. The act has frequently been amended and was in a large measure recast in 1918, but no reference to this important alteration is made in the California report, nor is there any mention whatever of the numerous special reports of departmental committees, of the utmost importance regarding matters of detail, without which no digest or analysis of the British act can be considered worth while. Nor is the argument justified that "it is at least made plain that the questions of detail which naturally arise in the enquirer's mind are not new questions, and that abundant experience exists and is available, in the light of which they can be met." There has been no consolidated account of the British experience really useful for the purpose of establishing such a system in another country, and whatever experience is available is certainly not referred to, or in sufficient detail to be useful for the purpose by the California commission.

Under "Reasons for Standards" it is said that "the reasons for compulsory rather than purely voluntary insurance are outlined above," but there is no agument advanced that can really be considered conclusive in favor of the compulsory plan. It is also a serious misstatement to argue that the voluntary system has failed, and that the compulsory system would be successful because of the allegation that the voluntary has failed "to reach those who most need it." As a matter of fact, that is precisely the truth about the compulsory system, which, neither in England nor in Germany, has reached, or possibly can reach, the poorest poor, or those most urgently in need of

material assistance and qualified medical aid during sickness of more or less prolonged duration. In its report on the National Insurance Act, issued under date of March 14, 1914, or just previously to the war, when not far from three years' experience had been had, the Research Department of the Fabian Society (supplement to *The New Statesman*, March 14, 1914) points out that "We regret to report that nothing has yet actually been done to remedy the special grievances of the casual laborers, the dock, wharf, and riverside workers, the 'glut man,' the odd-job men, or the extra hands or 'casuals' in all sorts of trades, of whom, it is estimated, there are in England, even apart from the building trades, somewhere between a quarter and a half a million of men, representing a population of something like a million souls." But elsewhere in the report it is said that "Perhaps the gravest of all grave facts that the working of the Act has revealed [to which no reference is made in the California report] is the terribly low standard of vitality at which millions of our working people are living. Economists and physiologists demonstrate that, with prices and rents as they are, a family maintained on a pound a week cannot possibly obtain enough of the bare necessaries of life. It naturally suffers from chronic ill-health. Meanwhile, by the insurance premium the State is abstracting from each of their bare cupboards one loaf of bread a week, thereby starving them still further into illness, in order to pay for their doctoring and Sickness Benefit during *the illness, which the State has thus helped to create!*" It is therefore absurd for the commission to argue that "We are sure that both patients and physicians will be infinitely better satisfied with a state system, in which all physicians electing to come under the act practice on equal terms, and patients choose for themselves among those physicians." By removing the causes of poverty, on the one hand, and of ill-health, on the other, the standard of life is raised sufficiently to enable wage-earners to provide for their own needs in the event of sickness, in their own way and at their own cost, far more effectively and in a much more satisfactory manner than can ever be done by a compulsory health-insurance system. The "Reasons for Standards" conclude with the statement that the method of payment of physicians is more fully discussed by Dr. Woods Hutchinson. It would require many volumes to present the evidence to be derived from British medical periodicals as to the apparently hopeless problem of meeting the reasonable requirements of doctors for adequate compensation. The paper by Dr. Woods Hutchinson seemingly based on personal investigation, is limited to less than seven pages, and presents a superficial view of current problems rather than a critical analysis of extremely important questions at issue for years

past and at the present time between the British medical profession and the British Government.

In the outline of the act provision is made for hospital treatment, which is not included under the British act; maternity benefit which is recommended should be excluded in the report of the Fabian Research Department; dental clinics also are not included under the British act; and special tuberculosis treatment, which has thus far in Great Britain been far from satisfactory and in its operation rather opposed to modern methods of effective institutional care; nor does the British act provide for funeral benefits, which by the California commission are placed at $100. Benefits are therefore included which must very materially increase the cost to the State of California in the event that such a plan should be adopted, and therefore all estimates are purely a matter of guesswork opinion. Among the medical features, provision is made in the recommendations of the California commission for a general medical service, including the establishment of "diagnostic centers, in all the principal centers, with laboratories, and usually attached to hospitals." No experience has yet been had with diagnostic centers in any system of social insurance, and the suggestion therefore relates to a matter entirely experimental. Regardless of much theoretical advantage, there has thus far been no real progress in the establishment of diagnostic centers on a basis satisfactory to both the physicians connected therewith and the public. To say, therefore, that "A suitable sum shall be set aside, from the medical premium funds, to provide for specialist salaries and necessary laboratory fees" is merely another evidence of the readiness to indulge in guesswork opinion and to disregard the facts of actual experience.

Much is made in an addendum to the general report of the majority, but to which no signatures are appended, that the Insurance Acts Committee of the British Medical Association, in 1917, reported "that the general system by which the State provides medical advice and treatment under the insurance scheme is in the main approved." This report is elsewhere referred to at some length, and it must therefore be sufficient for the present purpose to point out that the British panel physicians are now absolutely helpless. The act will not and can not be repealed. It further requires to be considered that the act has unquestionably raised the income of the lower class of physicians in general practice. If the act is "in the main approved," the objections to matters of detail are so very serious, as emphasized in the work by Dr. Brend on "Health and the State" (to which no reference is made in the report) that only those who have no regard for evidence and wilfully ignore the available truth in support of the assertion that

the British system lamentably fails to meet the real needs of wage-earners, particularly during serious illness of prolonged duration.

Mr. George A. Dunlop, in a minority report, takes exception to some of the conclusions and recommendations, holding, for illustration, that all employees should be insured regardless of the amount of their wages (the commission has fixed the wage limit or class distinction at $1,600 per annum). Mr. Dunlop also believes in uniform medical benefits throughout the State in place of variable medical benefits corresponding to various funds. In this respect the experience of the British Approved Societies is decidedly suggestive of the ill-advised political compromise under which the administration of benefits was placed in the hands of some twenty thousand and odd societies of every kind or degree of intrinsic worth and actuarial solvency. Mr. Dunlop properly argues that "A state health-insurance system which does not apply to all citizens alike . . . unnecessarily violates the American intuition" (meaning, probably, our American institutions, most of all the fortunate absence of wrongful class distinctions).

Dr. Woods Hutchinson, in a supplementary report, previously referred to, on the medical administration of health insurance, based upon extremely superficial investigations in Great Britain, argues the illogical proposition that "The present system of fixed fees for definite services is utterly irrational and antisocial and should be abolished as promptly as possible, in the best interests of the patient, the doctor, and the community." When it is considered that the practice of medicine throughout the whole civilized world rests upon the fee system and that social insurance at best and at most includes only the wage-earning element, there having as yet been no tendency disclosed anywhere towards the adoption of a universal system of state medicine, the argument needs only to be stated to emphasize its intrinsic absurdity. The capitation system, which has the hearty approval of Dr. Hutchinson, has proven far from satisfactory, at least in the case of doctors of more than average ability, and the British medical journals bear evidence of much discontent, particularly because of the frequently long delays on the part of the State to make payment for services rendered. Dr. Hutchinson also does not direct attention to the fact that, practically without exception, panel physicians in England carry on private practice for fees in precisely the same manner as this was done previously to the passing of the insurance act. They see nothing irrational in accepting such fees from those who are able to pay and who do not come within the group compulsorily insured.

Reference is made to medical referees, which are of comparatively recent introduction and which experience has shown to be absolutely necessary for the adequate protection of the funds against malingering and fraud. In the German as well as British experience, it has been found that upon careful reexamination frequently 50 per cent. and more of the alleged patients claiming pecuniary sick-benefits are fully able to work. No attention is directed to the fact that under such conditions the sickness itself becomes quite secondary to the economic aspects of the question as to how voluntary unemployment can be unduly prolonged and how pecuniary benefits can be wrongfully derived on the basis of sickness certificates obtained by a multitude of deceptive methods, none of which reflects to the credit of the attending physicians.

According to Dr. Hutchinson the service is adequate and satisfactory. According to Dr. Brend, speaking from years of experience and actual personal contact, the service is anything but adequate or satisfactory when comparison is made with conditions under private practice as they prevailed previously to the passage of the insurance act. The report of the Fabian Research Department remarks in this connection that "We consider that the medical attendance and treatment thus provided has various defects and short-comings, in small matters and in great—not by any means wholly or even mainly the fault of the doctors themselves—which call for prompt amendment; that it falls far short of the 'adequate' medical service guaranteed by the Act." Serious illness is not provided for, it being said in the report referred to that, regardless of the vast sums expended for medical benefit, "it is, on the whole, for only the minor ailments of the insured person that medical attendance is being provided under the Act." Even more serious is the allegation by the Fabian Society that "Indeed, nothing more forcibly strikes the investigator who watches the stream of sufferers pass, sometimes at intervals of only a few minutes, before the busier panel doctors of our great cities—many of whom are now constantly overworked by the enormous number of patients with which they try to cope, and harassed by the thought of the numerous waiting crowd—than the sheer impossibility of their making any adequate diagnosis in any but the simplest cases." Dr. Brend has drawn attention to the fact, sustained by others who have reported upon the same subject, that the average duration of "treatment" or consideration given to panel patients is from three to five minutes each. Thus medicine has been reduced to a purely economic question, and adequate treatment in the strict sense of the term is entirely out of the question in the case of panel doctors who have secured a large

practice. To none of these facts does Dr. Hutchinson draw attention, nor, in fact, does he disclose the slightest knowledge of the truly enormous literature of the subject available to any one familiar with British medical periodicals and Parliamentary reports.

Not satisfied, Dr. Hutchinson goes far out of his way when he remarks, in his report, contained in the second report of the Social Insurance Commission of California, that "Health insurance would provide the ideal and only means of immediately detecting and promptly stamping out an epidemic, such as Spanish influenza, and other acute contagious diseases."

Influenza has not been stamped out in any country where social insurance has been in operation during the recent epidemic, least of all in England, where, fortunately, the disease did not assume the enormous proportions common in this country, South Africa, etc. Dr. Woods Hutchinson recommends the use of vaccine "to stamp out the epidemic before it has time to get a foothold," although the foremost bacteriologists of this country and the Hygienic Laboratory of the United States Public Health Service are unanimous in their conviction that no vaccine has as yet been produced which can be relied upon as a satisfactory method either in treatment or efforts to prevent the occurrence of the disease.

The foregoing is a brief analysis of the contents of the second California report. It is a document which reflects in every line the bias of its chairman and his associates. The report does not represent the results of an "intensive" investigation and hearings aiming at securing a qualified expression of public opinion, but rather the deliberate purpose of a small group of men to force their ideas, derived almost exclusively from European experience, upon an unwilling public. Fortunately an opportunity was had in California to test the foregoing conclusions by an appeal to the people. At the election in the fall of 1918 the proposition was squarely placed before them as to the adoption or rejection of the constitutional amendment giving authority to the State to enter the field of compulsory health insurance. At the election held on November 5, 1918, following a strenuous appeal to the voters to endorse the principle of compulsory health insurance, the vote cast was 133,858 for the amendment and 358,324 against it. Just previously to the election *The Survey*, a publication devoted to the interests of social workers, published an article by Mr. Edward T. Devine, entitled "Will California Lead?" (October 26, 1918). Referring to the forthcoming California election as a deciding issue, Dr. Devine takes occasion to say that "The elementary principle of social health insurance is very simple: it is that of preventive medicine

and public hygiene." As a matter of fact, the fundamental principle of all compulsory health insurance is economic relief or pecuniary assistance during illness of more or less prolonged duration, followed by medical treatment of the sick, and under no system which has yet been developed has prevention of disease been given priority to obviously more pressing considerations. It only serves to mislead the public to argue questions in a manner contrary to the facts. Intentionally or otherwise, those making propaganda for compulsory health insurance are almost invariably misstating the truth. It is therefore but natural that their prophesies should be equally at variance with experience. Dr. Devine takes occasion to point out that "Social health insurance is coming as a permanent national policy assuring the conservation of national resources." He concludes that "It is greatly to be hoped that the voters of California will overwhelmingly endorse the constitutional amendment submitted to them, not only because it will hasten social insurance in that State but because it will encourage the movement for such laws throughout the country." The voters of California, with a full understanding of all that was involved in such radical and socialistic legislation, overwhelmingly rejected the proposal and placed themselves squarely on record as opposed to compulsory health insurance by a majority vote of 224,466. Thus California, which has led in so much beneficent legislation, by every test which can be applied to rational and well-considered legislative proposals points the way in the opposite direction to the one desired by Dr. Devine and his associates, steeped in the experience of poor-law administration, but, broadly speaking, unfamiliar with the facts of the life and labor of American wage-earners and those who are dependent upon them, and who manage their affairs, including some provision against sickness, in their own way and at their own cost, in strict conformity to the traditions and ideals of American democracy.

It, however, was not only the voters who decided by an overwhelming majority against compulsory health insurance, but also a deliberate body of the highest standing in the State of California. The Commonwealth Club of California, as the result of several years of investigation and extended consideration, voted, in October, 1918, or just before the election, on the question of the amendment, but decided, with eighty-eight votes against the amendment and only twenty-nine votes for it, that its adoption would not be to the interests of the people of the State. The discussion which was had at the time makes an illumining contribution to the subject, but it would carry the present discussion too far to go at length into the remarks by those present the verdict being, as said before, emphatically and

unequivocably, on the part of the membership, opposed to the amendment. Attention, however, may be drawn to an important fact, and that is in a brief historical sketch the statement is made that in France the compulsory system applies since 1906 only to miners and that in Belgium only a voluntary system prevails. In these two countries of Europe, which since the outbreak of the war have been most conspicuous in the display of true democracy, only the least possible application has been made of the compulsory idea, and that in one of the most hazardous of industries, while thus far the necessity has not arisen for the adoption of the system in Belgium. It may also be pointed out in this connection that none of the great self-governed dominions of the British Empire has followed the example of the mother country, for, thus far at least, compulsory health insurance has not been established in Canada, Australia or the Commonwealth of South Africa.

PRELIMINARY REPORT OF THE ILLINOIS HEALTH INSURANCE COMMISSION, MAY, 1919

The general assembly of the State of Illinois passed an act, approved by the governor on June 23, 1917, providing for a commission consisting of two representatives of labor, an employer, a physician, a farmer, a social economist, a social worker and two other persons to be appointed by the governor to "investigate sickness and accident of employees and their families (not compensated by workmen's compensation in the State of Illinois), with reference to the adequacy of the present methods of preventing and meeting the losses caused by such sickness or injury, either by mutual or stock insurance companies or associations, by employers and employees jointly, by employers or employees alone, or otherwise; and further, such definite proposals for legislative measures to prevent and meet such losses as may have been proposed in this or other states; all with a view of recommending ways and means for the better protection of employees from sickness and accident and their effects and the improvement of the health of employed persons and their families in the State."

The commission as appointed included Mr. William Beye, a well known attorney of the city of Chicago, chairman, Miss Edna L. Foley, superintendent of the Visiting Nurses Association, of Chicago, and a recognized authority on public-health nursing, Mr. Matthew Woll, a labor leader and president of the International Union of Photo Engravers, Dr. Alice Hamilton, an international authority on occupational diseases, and others of like prominence and reputation. It may be questioned whether any one of the other state commissions on social insurance could be considered so thoroughly representative and in every way deserving of the utmost respect and good faith as to the methods of procedure followed and the final conclusions arrived at. The report of the commission is a critical analysis of much useful information obtained by strictly scientific methods of impartial research. The field surveys made in behalf of the commission were placed in charge of the executive secretary, Dr. H. A. Millis, of the Department of Political Economy of the University of Chicago. The investigations made were carried on in co-operation with the State Deparment of Public Health, State Department of Public Welfare, State Insurance Department, State Department of Mines and Mining, the Health Department of the city of Chicago and the Illinois Survey Commission.

The commission realized the impossibility of covering the entire field but among the more important sections to which it gave special attention were the following:

> The extent of sickness and premature death; the more important diseases and physical defects and their prevalence; the extent and character of disease by communities, urban and rural; the extent and character of disease by race, sex and age; the duration of sickness; the extent and character of sickness among wage-earners; the extent and character of sickness by occupation; the economic loss due to sickness because of unemployment, decreased efficiency, cost of treatment, etc.; the relation between sickness and poverty and the effect of sickness upon standards of living; the causes of and responsibility for sickness; methods of preventing disease; the existing agencies for the care of the sick—hospitals, dispensaries, sanatoria, etc.; the adequacy and cost of medical attendance and nursing; provision made for medical care and financial benefits by employers, unions, fraternal organizations, foreign benefit societies, and industrial and other insurance companies; and suggested programs for meeting the problem of sickness and premature death and the adaptability of such suggested programs to American conditions.

With reference to occupational diseases, attention is drawn to the fact that this subject had been made a matter of special inquiry by a commission and reported on in 1911, so that, in view of the great expense involved in making an exhaustive investigation, it was thought best not to reexamine into the facts, more so in view of the attention given to certain aspects of this question by the Illinois Survey Commission. The field work, carried on under the direction of Professor Millis, was of a wide and intensive character, and for the purpose of securing accurate information relating to the extent and cost of sickness and poverty. This investigation included 3,980 families, several hundred of which were on the list of charitable institutions, secured through the Visiting Nurses Association, but over three thousand were normal wage-earners residing in typical city blocks occupied largely by the families of workingmen. The larger aspects of the investigation are clearly indicated by the statement that

> To ascertain the facilities for caring for the sick, an intensive investigation has been made of public dispensaries, and data have been secured relating to hospital facilities and their rates, physicians' fees, collections, etc., and community nursing. Disability insurance and life insurance have been intensively studied in investigations of casualty and assessment companies, group life and disability insurance, industrial life insurance, and foreign benefit societies. Benefit associations maintained by employers and their employees and the provision made for the sick by labor organizations have also been investigated in the same intensive way. An intensive study has been made of health conditions in coal mines and coal mining communities. Less intensive studies

have been made of infant welfare work, and the medical examination and nursing care of school children. Finally, concise reviews of compulsory health insurance in Germany and Great Britain and of the health insurance movement in the United States have been secured from scholars selected as peculiarly well fitted to make them.

This enumeration of functions and duties is clearly suggestive of a scientific purpose of a high order, in gratifying contrast to the obvious bias and superficial methods of state commissions, conceiving it to be their duty to make propaganda for health insurance rather than to make investigations into the facts for the benefit of those who want to know the truth and nothing but the truth. The commission has had six public hearings throughout the State, but unfortunately some of these were materially interfered with by the epidemic of influenza and the board-of-health regulations prohibiting the holding of public meetings at the time. It is said, however, that

> Notice of the hearings was sent to the various groups interested. Those who appeared were fairly representative of the several groups in the population, the agriculturists excepted. In a number of cases, the oral testimony given at the public hearings has been supplemented by written statements and briefs subsequently filed with the Commission. In addition to the public hearings indicated, several conferences have been held with experts—physicians, public health officers, insurance men, and others.

Governed by the evidence derived from all existing sources, the commission nevertheless did not find it possible to make a unanimous report. The minority report, signed by Dr. Alice Hamilton and Mr. John E. Ransom, fails, however, to disclose evidence tending to prove that the commission was governed in its conclusions otherwise than by the facts. It is stated in the majority report that the commission gave consideration to five main questions: "(1) What is the problem presented by sickness and death? (2) What is being done in Illinois to control and prevent disease and to conserve health? (3) What is being done to care for the sick and the physically disabled? (4) What is being done to compensate for loss of earnings and to meet the bills caused by sickness and death? And (5) What more, if anything, can and should be done to meet the situation as found by investigation?"

It is fully explained that these investigations were carried on in strict adherence to the policy outlined at the organization of the commission, namely, that the investigations should be as thorough as limitations of time and money would permit, with the single purpose of ascertaining the facts, and with a strict regard to scientific accuracy regardless of what theory might be supported by them. And, further, the extremely important supplementary principle was laid down at the

outset "that not until the investigation shall be completed, the facts assembled and the completed data available, shall consideration be given by the Commission to the formulation of any conclusion or recommendation." This scientific and profoundly impressive attitude of mind may well serve as an example to similar commissions in other States, being in marked contrast to the bias and prejudice truly apparent in the reports of such commissions as those of California and Ohio. Unless the foregoing principles are adopted and adhered to it is clearly out of the question that the results of an investigation, however otherwise ably arrived at, can carry weight with those who are governed only by the facts and the proof, whatever conclusions may result therefrom. The Illinois commission says with reference to this point, "Knowing the thoroughness, the singleness of purpose, and the manner in which the investigations were carried on, the Commission has the utmost confidence in basing its findings, conclusions and recommendations upon the results in so far as they cover the many phases of the problems under consideration by the Commission."

It is regrettable at this time that the full report of the commission should not be available, only a partial report having thus far been published. The section, however, having reference to conclusions and recommendations of the commission is given in full and in sufficient detail to set forth the governing reasons for the conclusions finally arrived at. These conclusions concern a population, estimated from the federal census to July 1, 1918, at approximately 6,300,000, and wage-earners and their dependents, estimated at 4,550,000, or about seven-tenths of the entire population.

The commission proceeds in its reasoning from the only basis at all applicable to the purpose, and that is the existing amount of illness among Illinois wage-earners, with due regard to its nature and duration of severity. The conclusions of the commission regarding the number of wage-earners ill at any given time are set forth in the following rather extended but extremely interesting observations:

> Seven investigations made by the Metropolitan Life Insurance Company in as many communities show that 1.83 per cent. of the 633,856 persons canvassed were unable to work because of sickness or non-industrial accident on the days the inquiries were made. This percentage shows the number who may be expected to be disabled at a given time by reason of sickness or accident for following their ordinary pursuits. This, however, does not show the number who have disabilities which may impair efficiency and which may call for treatment. Medical examinations made of 4,573 persons at Framingham, Mass., showed that 25 per cent. had what were classed by the examining physicians as "serious affections." Approximately 35 per cent. of the 2,510,706 young men examined in the first draft were rejected as not meeting army

standards. Returns of the results of the physical examinations of 69,171 applicants for work in Illinois show that about the same percentage (33.1) were found to be diseased or defective and that 19 per cent. of the 69,171 were rejected as not physically suitable for the work applied for. In all of the above cases it is disclosed that many of the affections, diseases or defects had existed since childhood. It therefore need occasion no surprise to find that 37,356, or 47.1 per cent., of 79,383 Chicago school-children examined in 1915 were found to be diseased or physically defective and that 32,860 of them were advised to secure treatment. Investigation has shown that the number of diseased and defective children is likely to be larger in rural communities than in such urban communities as Chicago.

The general observations concerning sickness and physical disabilities are amplified by the sickness experience of a year, ascertained by a personal investigation of all the families living in forty-one blocks of the city of Chicago, chiefly occupied by wage-earning families, and carefully selected so as to be typical of the much larger number of wage-earning families in the city. It is explained that

These "Block Studies" covered 3,048 families with 12,450 members. It was found that 65.8 per cent. of these families had one or more cases of serious illness during the twelve months ending with the date of the visit made by the investigators. "Serious illness" was defined so as to include all cases of disability for work or school for a week or more caused by sickness or non-industrial accident, all cases of serious chronic affections, such as tuberculosis, regardless of whether or not they caused such disability at any time for as much as a week, and serious affections, such as of the tonsils, of shorter duration provided a doctor or surgeon was secured to give needed treatment. Of the 2,708 wage-earning families in these blocks, 66.5 per cent. had had one or more cases of serious illness as thus defined. In 57.4 per cent. or more than half of the 1,802 wage-earning families with sickness, one or more wage-earners had been seriously ill. Of the entire number of wage-earners 27.3 per cent. had been ill and (counting only losses of a duration of a week or more) 20.9 per cent. of them had lost a week or more of work because of their disabilities. The relative number of non-wage-earners in these families reported as having been seriously ill was somewhat larger—28.3 per cent.

Any and all such statements suffer in scientific conclusiveness at the present time on account of the want of a concise definition of sickness or a strict limitation of the term. There is the further serious limitation that all so-called sickness-insurance data are subject to certain qualifications regarding the exclusion of certain days for which sickness benefit is not paid as well as the inclusion or exclusion of compensation on account of industrial accidents. In Germany, for illustration, all cases of industrial injury are provided for under sickness insurance for the first thirteen weeks of the duration of the incapacity. Making every possible allowance, however, for the

present difficulties of an exact comparison, it is nevertheless quite reassuring to find that of the entire number of wage-earners only 27.3 per cent. have suffered incapacity for work on account of illness of a duration of one week or more. In the German sickness-insurance experience the proportion of workmen cared for on account of illness in the course of a year is almost invariably over 40 per cent. and sometimes over 50 per cent., which may be accepted as evidence that the average sickness in this country is considerably shorter in duration and less in severity than abroad. English experience also indicates a much larger proportion of compensated illness, but in this respect the unfortunate factor of malingering, or feigned illness, requires to be taken into account. Until there is a money inducement to exaggerate every slight ailment or indisposition to real sickness entitling to compensation, as, for illustration, in England, the fourth day, the sickness rates are naturally likely to be lower than in a country not under a system of compulsory health insurance. For these and other reasons it is very important that no fallacious conclusions should be drawn from a comparison of the statistics of sickness-insurance societies or state funds with the corresponding data for the population at large. As a general rule it may be said that these two kinds of data are not comparable, being derived from fundamentally unlike considerations.

In amplification, however, of the preceding statement the Illinois commission had an examination made of the records of a large number of mutual-benefit associations of different types. Nine of these, representing over 663,000 wage-earners, compensated 19.9 per cent. of the insured on account of disability lasting for a week or more, with an average period of severity of 27.4 days a case.

Combining all the results obtained by the commission, it is said that probably "20 per cent. of all wage-earners will be disabled for more than seven days in the course of a year by a sickness or non-industrial accident, with an average of between twenty-seven and twenty-nine days for each wage-earner disabled. All disabling sickness of one day or more spread over the entire group would indicate an average loss of working time of between eight and nine days for each wage-earner."

The Illinois commission's investigation proved conclusively that useful data of this character can be secured by means of personal inquiry, and no information is more urgently needed than data of this kind, emphasizing clearly the true extent of sickness, with due regard to its duration or severity, as prevalent among American wage-earners at the present time. The details regarding sickness are to be made public in the final report of the commission It is properly

pointed out, however, that duration of disability varies widely from one case to another, and reference is made to the data collected, which indicate "that of each 100 disabled for more than a week, 65 will be disabled for less than four weeks, 19 for from four to eight weeks, 7 for from eight to twelve weeks, 6 for from twelve to twenty-seven weeks, 3 for more than six months, and 1.29 for more than a year. Put in terms of lost wages, the investigations made in Chicago show that 56.1 per cent. of those losing wages lost less than 10 per cent. and 76.2 per cent. less than 20 per cent. of what their annual earnings would have been had they not been reduced by disabling sickness. Expressed in another way, it was found that of those who lost wages (which constituted one-fifth of the entire group), 43.9 per cent. lost 10 per cent. or more and 23.8 per cent. lost 20 per cent. or more of what their earnings would have been. Expressed in terms of the wage-earning group, it is indicated that 20 per cent. will be disabled for more than one week, 13 per cent. for more than one week and less than four weeks, 7 per cent. for four weeks or more, 3.2 per cent. for eight weeks or more, 1.8 per cent. for twelve weeks or more, 0.6 per cent. for more than six months and that of the entire group of wage-earners it may be expected that 8.8 per cent. will lose 10 per cent. or more and 4.8 per cent. will lose 20 per cent. or more of what their earnings would have been but for disabling sickness."

In considering the preceding observations the fact must be kept in mind that on general principle the commission assumed payment of sickness benefit from the seventh day of illness. Under national health insurance in Great Britain the payment commences from the fourth day of illness, which, however, for insurance purposes, must at the same time represent incapacity for work. A person, of course, may be sick or indisposed without being incapable of performing some economic service or other, and this qualification in English experience has led to a considerable amount of difficulty in administration. Upon this point it has been observed by Dr. Wm. A. Brend, in his work on "Health and the State," that "The root cause of these difficulties is the fact that the right to sickness benefit is based upon an unsound principle. Benefit during sickness is only payable, according to the Act, when a person is 'rendered incapable of work.' In practice it is impossible in a very large number of cases to observe this condition. A person may still be capable of work—it depends a good deal upon the nature of the work—even if suffering from relatively severe illness. He may be able to work during the early stages of acute illnesses, or while suffering from chronic affections such as tuberculosis, heart-disease, aneurism, etc. Apart from severe affections, it is certain that

if the Act were interpreted literally, many thousands of payments in respect of anemia, dyspepsia, and other conditions could not be justified. What therefore actually happens is that unless the doctor is dealing with a case of obviously incapacitating illness, he pays little attention to the strict requirements of the Act."

Similar considerations affect the question of the economic cost of wage-earners' sickness. The Illinois commission points out in this connection that

> In the investigation of wage-earning families in the residence blocks selected in Chicago, an effort was made to ascertain the money cost of sickness. The average wage loss of wage-earners disabled for a week or more at a time was found to have been $119 and 13.7 per cent. of what their earnings would have been but for the disability. Spread over the 4,474 wage-earners in these families this represents an average loss of $24.95 per man and 3.33 per cent. of his earnings for these averaged $750.37 for the year. To each dollar of lost wages it was found that approximately 25 cents must be added for medical bills paid. Of course the wage-earners bear the medical bills of their dependents also. This same investigation showed that for each wage-earning family in which there had been illness of the types recorded, the average cost for the year in wages lost at the time of disabling sickness and in medical bills paid was $97.98. Taking these losses and outlays and the medical bills paid where there was no serious illness, the cost in wages lost and medical outlays was found to approach $75 per family per year. This is more than 5.8 per cent. of their income from all sources, for these were found to average $1,298 per family. If these figures can be applied to the entire State, it would mean that the cost of disabling sickness of wage-earners alone in Illinois would be about $57,000,000. If to this is added the medical bills paid for their dependents the cost of sickness in the wage-earning families of the State would be between $80,000,000 and $86,000,000 per year.

The commission clearly realized that, in its final analysis, the demand for compulsory health insurance rests upon the larger question of an inadequate standard of living. This has recently been emphasized in a small treatise of exceptional value by Mr. B. Seebohm Rowntree, on "The Human Needs of Labour;" of value also is an earlier work on "Poverty and Its Vicious Circles," by J. B. Hurry, London, 1917. The difficulty in such investigations is to ascertain the conditions of the real wage-earning element rather than the conditions of those habitually near to the poverty line. The commission points out that in the family investigations "it was found that in 14.3 per cent. of the families with sickness (or 16 per cent. of those with medical attendance) the physician's services, in 7 per cent. (or 57 per cent. of those with nursing care) the nurses' services, in 10.5 per cent. (or 50 per cent. of those who received hospital care) the hospital facilities, in 19.3 per cent. (or 60 per cent. of those visiting dispensaries) the dis-

pensary treatment, in 4 per cent. the medicines supplied had been without charge."

These persons, however, it is pointed out, "do not include the free services of physicians at dispensaries or the nursing incidental to free hospital service, or the medicine in some cases supplied by the dispensary or the physician where no charge was made for treatment." Furthermore, it is said that "where fees were paid for dispensary service these usually covered only a fraction of the cost," and that therefore "It is evident that no small part of the cost of sickness among wage-earners and their families is borne not by them but by the doctors, the nurses, the dispensaries, or by others."

It can easily be understood that lax methods in this respect may lead to serious abuses, and any one familiar with medical charity practice knows how frequently this is the case. Sickness is unquestionably a serious economic burden in wage-earners' families, most of all if the illness is unduly prolonged or where the services required are of a specialist or surgical character. Under no system of social insurance, however, has the problem thus far been solved as to how the real needs of the thoroughly respectable wage-earning element can be met. In England specialized care is not provided, and the service, on the whole, is of a mediocre character, intended rather for cases of short duration and of relatively limited economic importance. The Illinois investigation brought out the fact that while in many cases of illness additional income was forthcoming through wage-earning efforts of wives and children, nevertheless, in spite of this and of added economy, in a considerable number of cases the wife or others who had not been gainfully occupied sought employment, involving a change in standards of living, as 16.6 per cent. of the wage-earning families with sickness had deficits for the year. That these deficits were largely due to sickness is indicated by the fact, that, in contrast, only 4.7 per cent. of the families without sickness had deficits, or, in other words, an excess of outgo over income. Such a deficit, however, does not necessarily imply the risk of pauperism or public dependence, at least not in this country, where the credit function is much more extensively used and to better purpose than abroad. To meet the deficit sustained, it is said that "some had used savings, others had secured material relief from charitable agencies, had secured loans, or had used insurance received, while still others left bills unpaid. Material relief in the form of charity was received by 2.4 per cent. of the families in which there had been sickness, or by 1.8 per cent. of the entire number of the families investigated." If these results are applicable to the large mass of wage-earners in large repre-

sentative cities like Chicago, they do not indicate an alarming state of affairs, nor do they justify the adoption of an extremely complicated, burdensome, costly and more or less bureaucratic system of compulsory health insurance. The economic condition of the country has naturally had a strong bearing upon the problems under consideration. The situation becomes seriously accentuated during a period of industrial depression or during an exceptional rise in the cost of living. It nevertheless has been shown by analysis of the household conditions of 2,084 families in the city of New York, made in behalf of the New York City Health Department by Dr. Louis I. Harris, that of these there were only 87 American families contracting debts during the year 1918, largely in consequence of the high cost of living; only one was in debt to an undertaker and three to a doctor. Out of 139 Jewish families, only four were in debt to the doctor, and one to the druggist on account of medicine. Out of 97 Italian families, two were in debt to the doctor, and none owed money to the druggist or otherwise as the result of illness. Finally, out of 43 Irish families, only one was in debt to the doctor. There is, therefore, no evidence that, under fairly normal or at least relatively prosperous conditions, the family budget is unduly depressed by the burden of debts to doctors, druggists and undertakers, on account of sickness of more or less prolonged duration or death. It is evidence of this character which is most urgently required to answer the question as to the real necessity for any form of social insurance. It is precisely the neglect to ascertain such facts that places the reports of the California and Ohio commissions in such a glaring contrast to the report of the commission for the State of Illinois.

Summarizing the observations with particular reference to poverty and dependency resulting from sickness, the commission concludes that

> The above is presented as a summary of the more important facts bearing upon the problem of sickness as disclosed by our investigations. In a sentence we find; (1) that somewhat less than 2 per cent. are disabled by sickness or accident at a given time; (2) that the percentage not disabled but who have serious affections which may call for medical care is distinctly larger; (3) that approximately two-thirds of the wage-earning families will have one or more cases of serious sickness or non-industrial accident in the course of the year; (4) that in something more than half of these families the illness will include that of a wage-earner; (5) that something more than a quarter of the wage-earners will be sick or sustain non-industrial accident in the course of the year and that about a fifth of the entire number will lose a week or more of employment because of the disability caused thereby; (6) that the loss of time by wage-earners will average between eight and nine days per year for each wage-earner in the entire group; (7) that the losses due to sickness and non-industrial accident are very unevenly distributed among wage-earning families; (8) that the average loss in wages and medical bills connected with sick-

ness and accident will approach $75 per year per family when spread over the entire group, amounting to 5.5 per cent. or more of the average family income; (9) that the money cost of sickness and non-industrial accident borne by the wage-earners of Illinois is probably between $80,000,000 and $86,000,000 per year; (10) that sickness and non-industrial accident are frequently accompanied by more or less important changes in the standard of living; (11) that they give rise to deficits in a substantial number of cases; (12) that in Chicago sickness and non-industrial accident would appear to be responsible for 25.3 per cent. of the cases of poverty found in our investigations; (13) that sickness and non-industrial accident are found as a cause or as an accompanying condition of dependency in from a third to a half of the cases of dependency not giving rise to institutional care; and (14) that tuberculosis and other chronic diseases are each found in from 20 to 25 per cent. of the cases where sickness is a cause or condition of dependency.

In considering these conclusions it must be kept in mind that the facts are drawn from a very much congested population living under conditions far from compatible with modern standards of labor and life. At the root of much illness lies the chaotic condition of housing and overcrowding, which in a measure is a community responsibility to which heretofore neither the local authorities, the State or the nation have given a fraction of the attention urgently required for far-reaching reforms. A beginning in this respect is at last being made in England, and the time cannot be far distant when deliberate efforts will be made in this country to go to the root of the problem of unnecessary sickness and needless poverty. To prevent the existence of conditions which give rise to needless sickness and then to offer material relief and medical attendance to alleviate distress is not a solution worthy of the twentieth century, which prides itself on its intelligence courageously applied to the solution of problems largely an inheritance of apathy and indifference in the past. The foregoing conclusions apply with exceptional force to modern health legislation, much of which has been largely a matter of pretense and arrogant assumption. The majority of boards of health concern themselves effectively only with the control and suppression of infectious or transmissible diseases. The real question of individual health, particularly the systematic physical examination and medical supervision of children and young persons, is far from having reached the status of an applied science of physical welfare. In this connection the commission points out that

> In many parts of the State the local health work has not been efficiently undertaken. An analysis made by the State Department of Public Health of reports from 343 health districts show the limited public health nursing service; the limited amount of public child hygiene work; a limited number of public child welfare stations; a large number of places in which no campaign has been made to secure a complete reporting of births and deaths; a number

of cities without proper sewerage systems; the exceptional cases in which public provision is made for disposal of garbage; the neglect of the water supply which frequently can not be reported as safe; the infrequent building codes; the frequent absence of regulations relative to privies; the fairly general failure to inspect dairies with the result that the conditions in dairies are frequently unsatisfactory or bad; the frequent failure to report communicable diseases fully; the general absence of laboratories for health work; and the shortcomings in handling contagious diseases.

As a partial solution it is recommended that the powers of the State Department of Public Health, which ranks as one of the best administered among the several States, "should be enlarged so that it may have more authority to direct and control matters affecting the public health." A more specific recommendation would have been more acceptable—such, for illustration, as the systematic and universal physical examination and medical supervision of children and young persons to the age of majority and the supplementary physical and medical examination and reexamination of factory employees, amplified by a modern system of sickness registration, including the entire medical experience under private practice, and possibly the establishment of a limited state medical service, consulting clinics, modern dispensaries, and, last but not least, adequate and universal hospital accommodation, not only in large cities but also in rural sections.

Attention is drawn to the inadequate service rendered by the State in the case of tuberculosis particularly, although Illinois ranks first among the States as to sanatoria provision made for wage-earners and their dependents, as best illustrated by the truly magnificent municipal sanatorium of the city of Chicago. It might have been pointed out by the commission that the average length of treatment free of charge to those in need thereof is 180 days, or twice the average length of treatment provided by German social insurance or tuberculosis institutions. The new county tuberculosis law, which provides for the establishment of sanatoria, will effect a profound improvement in a direction which it is properly pointed out, requires the utmost thought and care on the part of those responsible for the health and well-being of the people of the State. Whatever is needed can be brought about much more effectively without compulsory health insurance, as best illustrated by the lamentable shortcomings of the complicated English system, under which, during the last seven years, the progress made has been very far from satisfactory to those concerned.

The commission gives some consideration to maternity care and infant welfare work. While the report was in preparation a new maternity welfare act was adopted by Great Britain and without reference to national health insurance, which may well be made to

serve as a model for this country. Unless compulsory health insurance is to be converted into a universal system of physical and medical care, on the one hand, and of material assistance, on the other, it would seem the better part of wisdom not to confuse functions and duties, but to specifically define a particular purpose and see to it that what the law requires is really carried into effect. In any event, it is a grotesque fallacy to include a burden of responsibility for maternity and child welfare in a system of compulsory health insurance concerning practically exclusively male wage-earners and unmarried w men wage-earners typical of the American industrial system. There is nothing more important than a proper system of maternity care and child welfare, but in no country in the world has better progress been made than in the United States in the development of what is properly comprehended under the term "child hygiene." Reference need only be made to the remarkable achievements in the city of New York, to illustrate the future possibilities of applied intelligence to a need which is certain to become more accentuated with further urbanization and under a more intense industrial system than prevails at the present time. All such efforts suggest the supreme importance of adequate hospital facilities and a thoroughly efficient system of public-health nursing. To complicate these problems with insurance considerations is largely to defeat their early and proper solution.

Without enlarging further on the observations of the commission in important matters of detail, the present discussion is concluded with a restatement of the recommendations made by the majority members of the commission.

Thus, after mature and extended consideration, the Illinois commission on health insurance decided to make *no* recommendations favorable to the adoption of a system or method of compulsory health insurance. The preliminary report itself is sufficient evidence of the thoroughness of the investigations made and of the impartiality of the members thereof in arriving at their conclusions and recommendations. It is appropriately pointed out in amplification of the recommendations that "at the time H. A. Millis undertook the work as secretary for the Commission, at his request, it was made a condition of his so doing that he should not participate in the determination or formulation of the conclusions and recommendations of the Commission. This condition has been complied with. Mr. Millis has not been present at any of the meetings of the Commission at which its conclusions and recommendations have been determined." This action is in marked contrast to the freedom allowed to the professional investigator of the first California commission and the executive director of

the Ohio commission, each of whom from the very beginning of their so-called investigations made propaganda on any and every occasion for compulsory health insurance, and to this extent anticipated the findings of State commissions appointed to investigate impartially and report on the facts, and the facts alone.

The minority report of the commission is signed by Dr. Alice Hamilton and Mr. John E. Ransom. They concur in all the recommendations made in the majority report, but consider the same to fall far short of what was called for by the facts disclosed by the commission's investigation. They do not agree with the commission's conclusions relative to compulsory health insurance, holding to the belief that "the results of the investigation made for the Commission are conclusive evidence of the need for a system of compulsory health insurance which would be applicable to practically all members of the wage-earning group, would more equitably distribute the burden of the costs of sickness and would make more adequate provision for the medical care of wage-earners and their dependents who become sick." They therefore dissent from the conclusions reached by the majority that "It is the opinion of the Commission that its findings do not justify it in recommending compulsory health insurance."

It would serve no purpose to restate the reasons advanced, which are typical of those given by persons who have persistently been making propaganda for compulsory health insurance and its favorable adoption by the several States. They rest their argument exclusively upon assertions which are plainly contradicted by the facts and a rational interpretation of the aims and objects of the intelligent labor element in the United States at the present time. The minority members advance such arguments as "sickness is a serious problem; the problem is serious because of the time loss it entails; the cost of sickness is another important factor in determining its effect; sickness is a serious problem in its economic and social effects; sickness is a problem calling for the application of the insurance principle; that sickness is an insurable risk is generally recognized; in spite of the fact that there is this great variety of carriers in the State, the great majority of wage-earners have no health insurance; much of the health insurance carried by wage-earners is inadequate and costly; most of the health insurance carried by wage-earners in Illinois provides partial indemnity for lost wages only; there is a distinct need for a better organization of medical service for wage-earners;" and, "if the application of the insurance principle to the problem of sickness among wage-earners and their dependents is to be most effective it must be universal."

All of these are merely platitudes iterated and reiterated on every possible occasion by those who are unwilling to concern themselves with the real facts of the wage-earner's life. The arguments advanced rest upon the fallacious assumption that American wage-earners represent the labor *class* in the accepted sense common to European countries—a stratified element of social organization hopelessly submerged by poverty and economic dependence. Those who are making propaganda for compulsory health insurance have no faith in the thrift element, in the sense of self-reliance and in the sturdy independence, to which the nation primarily owes practically the whole of its social progress, at least in so far as the elements of progress concern those who are the mainspring of production and of our industries and systems of transportation and who carry on the distribution of the necessaries of life.

The conclusions of the minority may, therefore, be safely disregarded as obviously opposed to the facts and to the findings of the majority of the commission, safeguarded by every possible means against the risk of partisan bias, prejudice or unfairness. The report of the Illinois commission adverse to the establishment of compulsory health insurance on the part of the sovereign State of Illinois is in precise conformity to the equally qualified investigations and impartial findings of the commissions appointed to investigate the subject in the States of Connecticut and Wisconsin. These reports, in time to come, will take rank among the classics of social insurance literature and remain a monument to the true Americanism of those who had the courage of their convictions to give utterance to their views opposed to sentimentalism, socialism and fatuous imitations of ideals foreign to American wage-earners and American national life.

SOCIAL INSURANCE IN THE UNITED STATES

There is the utmost urgency for a rational utterance on the subject of compulsory health insurance, if ill-advised legislation is to be avoided. As observed by Pearson, in his "Grammar of Science," "It is the want of impersonal judgment, of scientific method and of accurate insight into the facts, a want largely due to the non-scientific training which renders clear thinking so rare and random and irresponsible judgment so common in the mass of our citizens today."

There could be no better illustration of this want of strictly scientific judgment and freedom from bias than the fallacious arguments advanced in the annual address of the president of the American Association for Labor Legislation (at Richmond, Va., December 27, 1918). "Social insurance," he remarked, "simply means the application of the same principles" [of private insurance] "to matters in which there is an insurable interest on the part of the community, or society, or the State." In plain truth, social insurance is not insurance at all in the strict sense of the term, and its principles and practice vary fundamentally and essentially from those which have made private insurance a highly honored and satisfactory form of business enterprise throughout the civilized world. A recent work on "Social Insurance in the United States," by Dr. Gurdon Ransom Miller, is referred to as "A very excellent, brief, and cogent treatise on social insurance in the United States," which "estimates the benefits of society from social insurance largely in terms of its incidental or inherent preventive value, such as the reduction in the number of industrial accidents through greater precautions for 'safety first' being taken by employers when compelled to compensate for such accidents and to insure such compensation, or the better use and development of public-health agencies both by employers and workers if they should be compelled to pay the costs of insurance benefits, which would vary with the amount of sickness or lack of attention to health on the part of individual workers." All this is fallacious and mere assumption, for the benefits of insurance are measured solely by the compensation for indemnities paid in the event of sickness, disability or death. People do not insure for indirect or general benefits but for direct and specific advantages. Nor is the work by Dr. Miller an excellent treatise on the subject. I have referred to this work in my discussion of the failure of German

compulsory health insurance as "a grave imposition upon the credulity of the American public and a thoroughly unworthy and grossly misleading contribution to social science, whatever in the broad or restricted sense of the term that may be." To a large extent this work consists merely of a paraphrasing of the statements issued by the American Association for Labor Legislation, or the partisan writers who contributed their vague and misleading theories on the subject. To say, for illustration, that "The greatest authority on this subject to-day is the American Association for Labor Legislation" is to make the whole discussion ridiculous. The professor is a fatuous admirer of social reformers, and of university experts, believing that "Today our best thinking on social problems is guided, directly or indirectly, by university influence." Referring to the "laboring classes", he argues that "Labor organizations need trained leadership, men versed in economic and social theory as well as in daily operation of labor," and that "Labor must be represented on these boards" [industrial commissions] "by trained men who know scientifically modern social theory, legislation, and administrative methods." It would be interesting to have the views of Mr. Samuel Gompers and Mr. Warren S. Stone on this suggestion. Modern labor leaders have derived their convictions, which have become operative on conduct, by living real lives in dealing with real problems instead of being engaged in working out visionary theories and attempting hopeless social and economic solutions. To quote Dr. George M. Gould, an eye-specialist, on the "combined annual cost of illness and death in the United States" and to refer to the experience of Prussia as evidence of the relation of social insurance to an apparent increase in longevity, merely proves that the writer had no real grasp, nor a real conception of evidence or of authority, on the numerous questions with which he attempts to deal. It is not true that Prussia "shows the greatest increase in average longevity during the past century;" nor is it true by implication that the "German social insurance system has been the direct cause of exceptional mortality gains." Much more satisfactory sanitary progress has been made in this country, but to this no reference is made, since the writer relies exclusively upon partisan propaganda publications. To argue that, "next to biologic and medical science, social insurance is the greatest modern influence toward such a result" (increased length of life) is also to make the cause of public health and sanitary administration ridiculous.

Arguments for health insurance are summarized in the statement that "Modern industry in America must assume more responsibility for the general welfare of its workers." Far-sighted labor leaders

strenuously object to a policy in which industrial manhood assumes the viewpoint of the philanthropist and social worker in strict conformity to class distinctions, which, unfortunately, abroad stratify industrial society to the point of hopeless antagonism. Industry is not responsible for outbreaks of typhoid fever or smallpox, or for deaths from appendicitis, diabetes, etc. To burden industry wrongfully with a large portion of the cost of social insurance is merely to increase the cost of production and consequently needlessly so the high cost of living. To shift the responsibility for the highest attainable condition of health on the part of wage-earners and their dependents from the health administration, where it belongs, to the employer or the employing corporation is certain to lead to results possibly not far from disastrous. The object should be to strengthen the local health administration, providing it with more abundant resources, on the one hand, and holding it strictly accountable for results, on the other. It is absurd to say that "Physicians and medical societies know that the health conditions of many American working people are on the average not improving." Any one familiar with even elementary vital statistics well knows that there has been a very material and persistent lowering of the death rate, so much so that the lowest point on record was reached during the week of July 19, 1919. Faultfinders make much of the exaggerations of minor imperfections in health or physique, but they ignore, ignorantly or wilfully, the gratifying truth that the American people of today are probably and in every way physically superior to their ancestors of two or three generations ago. In consequence of a tremendous amount of public-health education reaching to the very root of things, there has been a truly remarkable advance in physical well-being, which is reflected in a low and diminishing death rate, which would unquestionably be disclosed by an analysis of the rate of mortality, if comparable statistics for many years were available.

To argue that "Health insurance *probably* will cultivate the practice of the physical examination of prospective employees in many industries, and may easily develop a similar practice in all work where special physical fitness seems requisite," is mere conjecture, plainly contradicted by the facts of actual experience. There has been no such progress in physical or medical examination in Germany during the thirty years of compulsory health insurance, but there has been a very encouraging progress in this respect in the United States, and on a voluntary basis, during recent years. Merely to advance opinions without a proper regard to the facts of observed experience is not to make a contribution to scientific thought. Of course, any

one can argue that "Health insurance, once accepted in principle and instituted in practice, becomes a continuous social force for the general betterment of the economic conditions of all working people," but no evidence that this is the case has been forthcoming, for strikes and labor-troubles otherwise have continued in Germany and Great Britain uninterruptedly since the initiation of social insurance and without any reference to its alleged efficacy in raising the level of social and economic well-being of the people. It is also pure guesswork to argue with reference to present objections to health insurance that they "will disappear within less than a generation of time. Such has been the history of the movement in all countries where tried." There is no evidence that such has been the history of the movement, and certainly not in Great Britain, where the act of 1911 was passed as an arbitrary measure, solely upon the prestige and personal initiative of Mr. Lloyd George. National health insurance in Great Britain was not the result of the findings of a Royal Commission, or of a Departmental Committee, emphasizing its needs or suitable adaptation to the requirements of British wage-earners, but, in the words of Mr. Lloyd George himself, "It was from Germany that we who were privileged to be associated with the application of the principle to the United Kingdom found our first inspiration, and it is with her experience before us that we feel confident of the future." What that experience has been I have tried to emphasize in my address on the "Failure of German Compulsory Health Insurance—A War Revelation."

We do not need to go to Germany for information on insurance. No country in the world has made more extraordinary progress in the development of the theory and practice of insurance as conducted by private enterprise than the United States. So-called government insurance is a deception in that the term "insurance" is used as an equivalent of the arbitrary exercise of the taxing power. If the income of an insurance company is not sufficient to pay claims falling due, there is no alternative but a receivership. In so-called government insurance deficiencies are made good either by the imposition of additional burdens, whether specifically in the nature of taxes or not or by direct grants-in-aid or subsidies, such as have been the rule rather than the exception in Great Britain.

Nor do we need to go to superficially informed college professors who pretend to authority on social insurance. Professor Gurdon Ransom Miller is no exception to the large class of writers and speakers thoroughly unfamiliar with both insurance and questions or problems of public health. In his book on "Social Insurance in the United

States," he remarks, for illustration, that the pioneer health insurance bill "was carefully drawn by professional men fully informed on all phases of European health legislation and administration." The writer was a member of the committee which for some months considered the bill in question, and no reference was ever made to health legislation or health administration, or, for that matter, to medical practice at home or abroad. Not one of the men most prominent in the furtherance of the propaganda for health insurance has ever in the slightest degree rendered effective help or assistance to voluntary health-promoting agencies. Not one has been instrumental in establishing a single movement for the betterment of health conditions. Not one is an authority on the prevention or control of tuberculosis, cancer, malaria, etc. It is a deliberate perversion of the facts, therefore, to say that the first health-insurance bill was drawn by men familiar with these aspects of compulsory health insurance.

The writer relies upon a fugitive item in the New York *Press*, of January 17, 1916, to the effect that "It is the belief of the United States Public Health Service that 35 per cent. of the workers of the country must ask for public or private charity when disabled by disease or weakness." The United States Public Health Service has never made such an investigation to ascertain the relations of dependence or pauperism to illness or death. The percentage quoted is pure conjecture and unworthy of the source to which it is attributed. The United States Public Health Service is the highest authority on health questions in this country, and its reputation for accuracy, impartiality and fairness is placed in peril by such guess-work opinion used for partisan and propaganda purposes.

The only really true and conclusive statement in the work is a quotation from the *Insurance Advocate*, reading that "Ultimately the public pays the bill." The additional burdens resulting from compulsory health insurance will be enormous. A vast army of unnecessary officials will be created to perform artificial functions, all of which are in the nature of a curtailment of personal rights and privileges. The German experience in this respect is absolutely conclusive. The facts cannot be set aside by the president of the American Association for Labor Legislation, who, in his address as reprinted in the *Monthly Labor Review*, of the United States Bureau of Labor Statistics, for February, 1919, in the furtherance of its propaganda for compulsory health insurance, said that "Some recent silly twaddle about the failure of social insurance in Germany on the part of those whose patriotism needed advertising during the war, and on the part of misguided defenders and apologists for the crimes, errors, and mistakes of private

insurance companies, has served to confuse the public mind." Being responsible for the statements made with reference to the failure of the German system, I cannot but take exception to this language, which is unworthy of a professor of Columbia University. It is not "silly twaddle" to present the facts and figures as derived from the official reports of practically all the German sickness-insurance institutions during January, 1917-18, secured with much difficulty on account of the war. There has been no confusion of the public mind in consequence other than such as has been brought about deliberately by the misstatement of facts in the utterance of fallacies by those who have, in season and out, been making propaganda for compulsory health insurance. A man is not less a patriot because he is opposed to German ideas of social reform. A man may be much less a patriot for giving furtherance to German ideas which, in the long run, must lead to the establishment of class distinctions, a permanent stratification of American industrial society, and the gradual destruction of all our ideals of Anglo-Saxon freedom and of safeguarded rights under the present order, against the menacing tendency towards the arrogance of an arbitrary, dictatorial policy on the part of the State.

The learned professor might read to advantage an article on "Social Insurance in Germany After the War," published in the *Monthly Labor Review* for April, 1919, being a translation of an article by Professor P. Moldenhauer, one of the foremost German authorities on insurance. This article confirms in every respect my discussion of "Facts and Fallacies of Compulsory Health Insurance" and the "Failure of German Compulsory Health Insurance—A War Revelation," pointing out for illustration that "The war has shifted the actuarial bases of social insurance to the disadvantage of the insurance carriers . . . the mortality rates have risen. The successful combating of tuberculosis has been interfered with during the war, and the ravages of this disease have been increased by undernutrition. The unfavorable state of the health of ex-soldiers, especially of disabled soldiers, who sooner or later will file claims for pensions, must also be taken into account. . . The average morbidity rate in fifty-one sick funds distributed over the whole Empire rose from 2.66 per cent. in 1915 to 3.03 per cent. in 1917. . . Experience has, moreover, shown that claims for sick benefits are always more numerous during times of extensive unemployment. . . The number of sick pensions has increased from 11,806 in 1913 to 79,834 in 1917." Invalidity pensions are referred to as "pitifully small;" "In the workmen's accident insurance system the unsound method has been adopted of computing the premiums in such a manner that they are

just sufficient to cover the current annual expenditures. . . The total expenditures of all trade-accident associations have increased from 10,500,000 marks ($2,499,000) in 1886 to 218,000,000 ($15,884,000) in 1916. . . Thus the burden of the present generation is being lessened at the cost of the coming generation." Referring to a reduction in the contributions by the Building Trades Accident Association, it is pointed out that the loss in revenue had been made good "by withdrawals from the reserve fund." The war loans by social insurance institutions are said to have reached the colossal total of 2,000,000,000 marks ($476,000,000), representing more than half of the assets invested in bonds of the Empire and of the Federal States. Intimating the possibility of state bankruptcy it is said that this "would therefore also signify the bankruptcy of social insurance, at least of the invalidity, survivors', and salaried employees' insurance, while sickness and accident insurance would also be seriously upset by such a calamity." The question may properly be raised here whether these utterances by one of the foremost German authorities on social insurance, officially disseminated by the United States Bureau of Labor Statistics, are any more entitled to be called "twaddle" than the observations heretofore referred to and based upon the same official material. Public respect for educators and members of the teaching profession is not enhanced by such evidence of gross unfairness and incapacity to direct public opinion into channels which lead with certainty to the truth. It may not be out of place to quote in conclusion the remark of Professor Moldenhauer that "it can be said that social insurance cannot be preserved in its former extent if we waste our time with tiresome party squabbles, if we squander enormous sums on all kinds of overlapping administrative organizations, and if instead of working and producing real value we try socialistic experiments or chase after communistic Utopias." The same conclusion applies to the United States, in which private insurance is based upon the highest development of the altruistic instinct of self-denial to an extent not realized in any other country in the world. Where so much has been done on a voluntary basis it would seem a foregone conclusion that the field for further development is practically without limit. Labor-unions, fraternal organizations and the insurance companies can all aid towards the attainment of this ideal, which is strictly compatible with the highest idealism of independent life and labor in a modern democracy.

INDUSTRIAL INSURANCE IN FORCE WITH THE VICTORIA LIFE OF BERLIN

Year	Number of Policies in Force	Amount of Insurance in Force	
		Marks	Dollars
1892	62,298	18,290,823	4,353,216
1893	120,428	35,729,637	8,503,654
1894	182,932	54,187,482	12,896,621
1895	274,824	77,659,326	18,482,920
1896	604,802	133,072,236	31,671,191
1897	1,020,908	200,236,745	47,656,344
1898	1,277,083	249,321,110	59,338,422
1899	1,434,669	283,071,076	67,379,915
1900	1,628,551	319,562,828	76,055,954
1901	1,811,194	351,549,466	83,668,774
1902	2,042,373	391,433,984	93,161,287
1903	2,303,174	441,490,447	105,074,725
1904	2,548,306	490,175,802	116,661,840
1905	2,745,166	529,853,657	126,105,171
1906	2,911,684	573,309,779	136,447,728
1907	3,027,372	613,448,456	146,000,731
1908	3,172,947	654,920,725	155,871,131
1909	3,388,320	710,306,034	169,052,835
1910	3,524,139	752,410,647	179,073,735
1911	3,687,072	802,689,471	191,040,094
1912	3,807,972	845,032,685	201,117,778
1913	3,925,520	885,708,971	210,798,735
1914	3,723,542	831,880,713	197,987,611
1915	3,544,935	770,667,740	183,418,922
1916	3,455,906	758,385,090	180,495,651
1917	3,425,739	778,446,994	185,270,384

INDUSTRIAL INSURANCE IN FORCE IN THE UNITED KINGDOM

Year	Number of Policies in Force	Amount of Insurance in Force	
		Pounds	Dollars
1911	35,475,381	353,109,702	1,719,644,239
1912	36,162,031	359,538,089	1,750,950,498
1913	37,556,248	428,690,925	2,087,724,780
1914	38,004,956	433,900,645	2,113,096,117
1915	44,673,399	515,640,005	2,511,166,800
1916	50,359,908	585,925,630	2,853,457,818

NATIONAL HEALTH INSURANCE IN GREAT BRITAIN, 1911-1919

On account of the war, the experience under the British health insurance acts has naturally been rather inconclusive. For reasons of a thoroughly false economy the publication of annual reports on the operation of the health insurance act was discontinued, but a consolidated report has recently been issued for the period 1914-17, which though quite elaborate in matters of more or less unimportant office routine leaves practically every vital question involved unanswered. From a variety of sources, however, it is not difficult to arrive at reasonably definite conclusions on all of the essential matters more or less in controversy in this country at the present time. The general impression left on the mind of the impartial reader of the report is that the main efforts of the commissions are concentrated on matters of office administration, typical of a vast governmental machinery, largely unnecessary for the end in view. There is nothing to indicate that the main purpose involved in the health insurance act, namely, the more effective medical treatment of British wage-earners, is successfully attained at reasonable cost. There is no consolidated statement of the number of persons concerned or affected by the act, nor of the total cost, both as to administration and benefits rendered. It is self-evident, however, that a vast amount of confusion of ends and means has resulted from the introduction of the insurance feature, totally unrelated to the question of medical treatment and pecuniary support during illness of more or less prolonged duration. No analysis is made of the actual experience which has been had, such, for illustration, as is clearly set forth, but with the required brevity, in the treatise on "Malingering," by Sir John Collie. Thus, for instance, according to the returns of one of the largest friendly societies with regard to the operation of the National Health Insurance Act, according to Sir John Collie, the per-capita amount paid outside of a given district served by the society's medical examiner, or one in which there was merely haphazard medical attention and no qualified medical supervision, was 12s. 11d. for men and 13s. 10½d. for women. In marked contrast, the amount paid per-capita inside of a given district served by the society's medical examiner and subject to rigid medical supervision was only 8s. 2d. for men and 5s. 4½d. for women. Illustrations of this nature are most urgently needed in aid of the re-

quired and probably more or less drastic reforms. They seem to prove conclusively that the British government seriously erred in the introduction of an insurance feature when much more effective and far-reaching results could have been secured through a thoroughly well-considered state medical service; for the latter would not require one-tenth of the governmental machinery found necessary in the administration of the National Health Insurance Act. The extent of that machinery, the number of men and women employed for administrative purposes, the cost of administration itself, inclusive of the expenses of printing, postage, etc., are not set forth in the Consolidated Report, although such information is required as a matter of law and good business administration from every insurance company or society subject to government supervision and control.

It is exceedingly significant, however, that there should have been a further postponement of the required valuation of approved societies, the majority of which are, in all probability, in a state of doubtful solvency. Recalling the historical fact that at the time when the health insurance act went into operation it was well known that many societies taken over by the act were technically insolvent and that the act itself was looked upon rather as a measure to avoid bankruptcy on the part of these otherwise so useful and, in fact, indispensable institutions, it is difficult to avoid the conclusion that the required actuarial valuations have not been forthcoming for reasons of governmental policy. The amount of reserve liability assumed by the government at the time was of truly colossal proportion, but the facts with reference thereto were never thoroughly understood by the British public. Quite recently in connection with the amended National Health Insurance Bill a request was made for £400,000 additional per annum, equal, as pointed out by the *New Statesman*, of December 1, 1917, "to a capital gift of £8,000,000."* As observed in the same publication, the new measure, however, is in no sense remedial of the larger deficiencies and failures of the act of 1911, and, as further observed, the financial position of the entire national health insurance is, indeed, "one of considerable gravity." It was conceded that the contributions from both employers and employed could not possibly be increased above the amount of £18,500,000 a year. The state contribution as originally agreed upon, including all administrative expenses, was to have been under

*According to a statement made by Major Waldorf Astor in the House of Commons on April 7, 1919, the total amount raised on account of the Act of 1911, to and including March, 1919, was one hundred and five million pounds, of which forty million pounds was by grants made by Parliament in the furtherance of plans and purposes which would otherwise have failed on account of insufficient contributions. All grants-in-aid are no more and no less than poor-relief in disguise. All such grants are financial benefits for which no adequate direct return is made by the beneficiary.

£4,000,000 per annum. This, the *New Statesman* points out, has already been increased by successive new subventions to over £5,000,000 in 1916, making the receipts £23,500,000. The amount spent in that year in sickness and disablement benefit (£6,000,000), medical services and drugs (£4,800,000), maternity benefit (£1,250,000), sanatorium benefit (£750,000), and the very heavy administration expense (£2,250,000) totaled no less than £15,050,000. This permitted the investment of little more than £8,000,000, which is apparently considerably less than the amount required by the actuarial calculations to make the sinking-fund payments or the necessary provision for future claims. This precarious condition is complacently ignored in the Consolidated Report, it being said that "In the normal course the first valuations of approved societies would have become due to be taken as of July 15, 1915, but in order to avoid a special balancing of the accounts of societies not otherwise required, they were postponed to the following 31st of December. Long, however, before this date it became evident that a further postponement would be unavoidable. Legislation was needed to remedy certain defects of the original structure, which if left uncorrected would have led in some cases to the declaration of unmerited deficiency and consequent hardship to the members concerned. For these and other reasons," according to the chief actuary of the commission, "it seemed clear that there was no prospect that the valuations could be undertaken during the War," and under the statutory powers conferred upon the commissioners they were merely postponed without reference to any future date. Such a condition, if permitted in the case of life insurance companies, would readily be recognized as a national scandal. Such a policy of delay cannot otherwise than imperil seriously the future financial interests of millions of members of societies in good standing and of unquestionable actuarial solvency. If the assumption of the Fabian Research Department Committee of Inquiry is correct, that the sum of the deficiency in the first completed year was no less than £700,000, it requires no extended knowledge of actuarial methods to convince even the most optimistic in matters of government finance that the financial future of national health insurance in Great Britain is decidedly discouraging, more so in view of the enormous new liabilities in consequence of the war, which practically preclude a liberal viewpoint in all matters of financial readjustment. As observed in the discussion in the *New Statesman*, "How much should be added, as a result of the war, by reason of the depreciation in capital value of the fifty million pounds' worth of securities that will presently be held by the commission it is not possible to compute, because it is not publicly

known to what extent, if any, the investments have been made in securities not redeemable at par."

If such an admission were made in behalf of even a single life insurance company refusing to publish the full details of its investments and of making the required annual or quinquennial valuation, there would be an immediate demand for an official inquiry and in all probability an application for a receivership.

The Consolidated Report fails to present in concise and readily understood language a full account of the general status of national health insurance in its direct relation to the public. As pointed out in this connection, however, in the article in the *New Statesman*, of December 1, 1917, "Voluntary insurance under the new scheme is to be further restricted; Maternity Benefit will henceforth not be payable until 42 (instead of 26) payments have been made; married women are to be tempted to commute all future claims for a new 'Marriage Benefit' of 2 pounds, with one year's eligibility for Medical and Sanatorium Benefit; the contributions paid by employers and employed on derelict cards are now confiscated; and the privilege accorded to employees who themselves pay wages during sickness is withdrawn." In contrast, practically every progressive life insurance company and fraternal society has been making voluntary concessions, and frequently of the most liberal nature, to its membership. Private insurance has continuously made progress in the direction of lower rates, larger returns, more liberal policy provisions, etc. The tendency of national health insurance in England, at least, seems to lie decidedly in the opposite direction.* Aside from the imminent risk of actuarial insolvency, in the words of the *New Statesman*, "Practically none of the fundamental drawbacks and none of the serious injustices of the scheme have been remedied," and the new measure, "leaves untouched both the grievances of the doctors and the still more serious failure of the Commission to supply, as the Act promised, 'adequate' medical treatment; that the provision of appliances and medicines is still unfairly restricted; that the practical breakdown of the campaign against Tuberculosis remains unremedied; that the autocracy of the Approved Societies formed by the great Industrial Insurance Companies for their own purposes is left unchanged; that at least half a million women of the same class as the rest are still excluded from the Maternity Benefit; that the Deposit Contributors are still unprovided with anything that can be called insurance; that the economic absurdity of compulsorily abstracting a loaf

*For a discussion of the German experience since the outbreak of the war, see "The Failure of German Compulsory Health Insurance.—A War Revelation," by Frederick L. Hoffman, reprinted by the Prudential Press, 1918.

of bread a week from hundreds of thousands who have demonstrably not enough to live on continues unchanged; and that the Commission has failed to solve the problem of the casual labourer, for which Parliament gave it practically unlimited powers." This formidable indictment against the act to meet any and all reasonable expectations is not overdrawn; in fact, in the article in the *New Statesman* it is well said, "Above all stands the failure of the scheme as a measure of Public Health, which the present Bill almost necessarily ignores." Yet that is precisely the argument continuously brought forward in this country in behalf of the plea for the adoption of a corresponding system, primarily as a measure designed to improve the health of wage-earners and their dependents. The *New Statesman* is of the deliberate opinion that the British Health Insurance Act "has not had any appreciable effect in preventing disease, in diminishing Infant Mortality, or in encouraging hygienic ways of living."

The reports of the Registrar-General are convincing evidence in support of this conclusion. Aside from the overwhelming proof provided by the experience at large, the crude death rate from tuberculosis, limited to females, as a more accurate measure on account of the disturbing effects of the war, was 119.4 per 100,000 during the period 1911-14. For 1915 the rate was 123.7, and for 1916 123.4; if limited to the important age period of 15-20, the rate for England and Wales *increased* from 122.5 during 1911-14 to 138.7 during 1915 and 146.9 during 1916. There is nothing in the reports of the Registrar-General to indicate that there has been observed to obtain a direct relation between health conditions throughout England and Wales and the operation of the National Health Insurance Act. In commenting upon the increase in the mortality from tuberculosis, it is said that "It is quite possible, therefore, that with the return to these conditions (those of peace) the fall in the tuberculosis mortality may be resumed, though whether this will be so must largely depend upon the nature of the peace conditions to be established." Nothing commendatory is said of national health insurance in either the reports of the Registrar-General for all of the years since national health insurance came into operation or in the large number of local health reports for representative cities and towns throughout the United Kingdom. There is available, however, a frank statement by the Medical Officer of Health of Rochdale, that, according to his experience, "Health Insurance as now in operation in this country is simply a gigantic fraud." He also observes that the people, in his opinion, are worse doctored than ever before and at the maximum cost of irritation. He is, therefore, of the opinion that the only

solution of the difficulty may be found in a modified state medical service.

The National Health Insurance Act of Great Britain is rather an immense mass of minute regulations, rules, restrictions, etc., than a working principle of effective medical care for the benefit of those most urgently in need thereof. The administration has become so extremely complex in matters of detail that even the Consolidated Statutes, Regulations and Orders preclude intelligent analysis. They make a volume of more than 600 closely printed pages, including notes and cross-references indicative of practically hopeless confusion. The same conclusion applies to the Consolidated Report on the Administration of National Health Insurance for the period 1914–17. There is no uniformity in the presentation of the facts for the separate constituent parts of the United Kingdom, but for each section the required information is presented in accordance with the viewpoint of the commission in charge. The summary account for the entire country by the Joint Committee is practically limited to actuarial considerations. The official literature, including the acts of Parliament, the innumerable regulations and orders, makes an intelligent analysis practically hopeless, even on the part of one thoroughly familiar with insurance methods and results. In addition to a mass of current reports a number of important special investigations have been made by departmental committees on Approved Society Finance; the Drug Tariff under the National Insurance Act; the Application of the National Insurance Act of 1911 to Outworkers in Ireland; Sickness Benefit Claims, Investments, etc. Aside therefrom, information in minute detail has been published on the decisions and appeals on matters in controversy and on the reports of inquiries and appeals under the medical benefit regulations. No thoroughly digested financial accounts however have been published for recent years, but separate consideration has been given to the auditing of certain accounts, and of the accounts showing the amount of securities held by the National Debt Commissioners as investments for money forming part of the National Health Insurance Fund. Half a thousand circulars or more have probably been published on one phase of the administration or another, all indicative of the extreme complexity and resulting costliness of the administration of an act ostensibly intended to secure the required benefits at minimum expense but with a maximum of interference with the private life and the rights and privileges of the people concerned.

After all, every rule or regulation is more or less in the nature of the statutory control and abridgment of the liberty of the subject.

Every modification in rules and regulations involves an additional burden in the daily life of the people, and to that extent constitutes a hindrance of possibly serious social concern. In no direction has this become more evident than in the medical administration of the act, which has largely diverted the interests of the medical profession from matters relating to the advancement of medicine as a healing art to economic considerations of payments, adjustment of claims, conflicts of interest, and all such questions as are now covered by special circulars or memoranda, special rules and regulations, as for illustration, sickness and disablement benefit during pregnancy, conditions under which late entrants over seventeen are entitled to the full rate of sickness-benefit, arrears of alien members, arrears of persons who have been treated provisionally as out of insurance, alterations in the registers of societies consequent upon changes in membership; members suspended from medical and sanatorial benefit on account of arrears, position of alien enemies under the national insurance act, medical certification and supervision of claims for sickness and disablement benefit, rate of benefit in certain cases in which arrears are discharged or contribution cards are surrendered late, notification by societies to insurance committees of changes affecting the index register, identification-marks on contribution cards, controversies between approved societies, notification of expulsions or withdrawals of members of approved societies, provisions as to behavior during sickness, suspension of married women, continued payment of sickness or disablement benefit to persons permanently incapable of following their ordinary occupation, the position of persons who have lapsed from insurance and again become employed contributors, and thus without end.

All complexity in governmental administration implies a material abridgment of personal freedom in contractual relationships. The efficiency of government itself in the furtherance of the discharge of its legitimate functions is hindered to the extent that unnecessary powers are assumed, largely for artificially created needs. The complexity of national health insurance foreshadows in course of time as complete a breakdown as occurred under the old Poor Law, originally enacted in 1601 as the 43 Eliz., but partly abrogated in 1834 under the Reform Acts, as the sole measure of saving the English people from economic disaster and moral ruin.* Cause and effect in matters of this kind are frequently far apart. The lamentable consequences of the erroneous calculations underlying the administration of friendly societies and fraternal organizations operating on the so-called assess-

*The most important general works on the old English Poor Law are "The English Poor," by Thomas Mackay, London, 1889, "History of the English Poor Law," by Sir G. Nicholls, London, 3 vols., 1904, and the classical report of the Commissioners on the Poor Laws, London, 1834.

ment plan clearly establishes the menace involved in the present situation to the next generation. The argument that there is no strong opposition to national health insurance is quite beside the point. There was no opposition to the old Poor Law on the part of those who were under its malign influences, though apparently the direct beneficiaries of an ill-advised bounty, designed rather for the encouragement of pauperism than for its suppression.

A new act, or what is practically a new act, came into operation during the year 1918. The new amendments are indicative of improvements in matters of detail, but the extreme complexity of the act and its burdensome administration remain largely unchanged. The new law is merely a compromise, not likely to aid materially in the solution of a problem due primarily to the fundamental error of attempting to evade the real question involved. That question is the rational and economical medical treatment on the part of the State of those who for a large variety of reasons may find themselves in the social or economic condition that renders them unable to provide such treatment in their own way and at their own expense. That such treatment, in a more restricted sense, is poor-relief under another name does not justify the confusion of the public in matters so vital to their own welfare by the adoption of insurance terms and usages strictly inapplicable to the particular ends in view. The same reasoning, of course, applies to a universal non-contributory old-age pension. To call poor-relief in old age a pension does not relieve the recipient thereof from the consciousness of an unearned benefit or advantage conferred by the liberality of the State.*

In national health insurance the fundamental element involved is medical care. All other considerations are subsidiary functions more or less germane to the main purpose of providing rational and efficient medical care for those most urgently in need thereof and unable to provide such care or treatment on their own part and at their own expense. Now, every question of medical treatment involves a second fundamental principle of public administration, that is, the voluntary or compulsory use of the medical profession essential to the proper fulfilment of the obligations incurred by the State. The medical profession is no more in duty bound to render whatever service the State may require of it than are architects, lawyers, miners or engineers. If required to perform such services under direct compulsion or under semi-compulsion, it is a foregone conclusion that the services will not be equal in value to the voluntary discharge of functions rendered in return for an adequate consideration. While at first intensely opposed

*See Professor A. V. Dicey's Harvard Lecture on "Law and Opinion in England," page xxxv.

to national health insurance, the British medical profession has apparently adapted itself more or less successfully to the changed order, which, however, by every indication, is merely passing through a transitional stage to a thoroughly developed plan of state medical care. It is therefore of interest to consider, briefly, the present viewpoint of the British medical profession, as set forth in the Interim Report on the Future of the Insurance Acts, by the Insurance Acts Committee, presented to the British Medical Association during the two years 1916 and 1917, or preliminary to the adoption of the amendments incorporated in the new National Health Insurance Act of 1918.

Following a circular letter dated January 23, 1917, in which it was intimated that a full inquiry into the operation of the insurance acts would probably be made by a royal commission or by a parliamentary committee after the termination of the war, the profession was invited to give expression to its opinion on thirteen carefully considered questions. The results of this inquiry were summarized in a communication to the British Medical Association, dated June 16, 1916, briefly reviewed, as follows:

A surprising degree of favorable opinion was disclosed, as said, "Upon a subject which five years ago was the most highly controversial that had ever been before the profession, and which still in some places, and everywhere in some of its aspects, excites argument." The inquiry disclosed first, that many matters which at the beginning of the controversy gave rise to the worst apprehensions have assumed a position of quite minor importance, second, that the general system by which the State provides medical advice and treatment under the insurance scheme is in the main approved, and that criticisms have a tendency to concentrate on a comparatively few points which, though of great importance and indeed vital to smooth working, are, after all, matters of detail which ought to be capable of adjustment, and, third, that there is a large body of opinion in favor of the extension of the health-insurance system both to kinds of treatment not at present provided for and to classes of persons at present excluded therefrom.

This exceptionally favorable collective viewpoint on the part of the members of the British Medical Association cannot, however, be construed as thoroughly representative of the association as a whole. Thus, without reference to the areas or branch associations not represented in their replies, it is shown by an analysis of the answers made that only 41 of the areas were satisfied with the workings of the act without reservation, that 44 were satisfied with reservations, that 30 were dissatisfied, and, that 10 were sharply divided in opinion.

It, for illustration, is frankly conceded in the report that many members of the profession "hold that the service is inadequate both in extent and in quality, and that it carries with it a taint of cheapness and semi-charity which should have no place in a system which was not provided for paupers and for which the State is responsible."

The frank admission is therefore made that in a considerable measure the National Health Insurance Act conforms to the principles of poor-law legislation rather than to the conception of a state measure designed to encourage the thrift function in its relation to health and disease. This viewpoint is sustained by the evidence contained in the further report of the Departmental Committee on Approved Society Finance and Administration, in which it is said that "subsequent to the issue of the new (health-insurance) scheme Parliament decided to place at the disposal of Approved Societies a sum of £80,000, or about $400,000, to be used as a *Benevolent Fund* for the mitigation of arrears in cases of excessive hardship. This grant was administered by the Societies under conditions laid down by the Commissioners, although its intention and effect were sensibly to reduce the hardship involved in the heavy reduction of benefits to those persons who had suffered the misfortune of prolonged unemployment. Its administration created a large amount of extra work and this has been the subject of general complaint, especially from those centralized Societies which have no facilities for acquainting themselves with the personal circumstances of their members. The Benevolent Fund grant was repeated for the contribution year ended July, 1915, the amount being fixed at £100,000 (about $500,000). In the following year, in view of the financial situation of the country and of the general abundance of employment, the grant was suspended, save for certain exceptional cases of discharged soldiers, and there appears to be a very general desire that it should not be revived." In other words, it having been found that a certain proportion of the membership was unable to participate in benefits on account of the non-payment of contributions in consequence of unemployment, a free grant of a substantial sum was made by Parliament, which on other grounds might as readily have been provided in the form of direct poor-relief.*

An equally frank confession is made in the Report of the Insurance Acts Committee of the British Medical Association, that "The replies show that the profession entirely agree that medical benefit is inade-

*There is an increasing demand in Great Britain for the establishment of a state medical service. Fundamental changes, however, in the National Health Insurance Act will involve enormous difficulties, which may preclude radical reforms. Major Waldorf Astor in the House of Commons, on March 10, 1919, is on record as having said that "Preliminary conferences are at the present time taking place between representatives of the medical profession and the Commissioners, preparatory to a general review of the medical services for insured persons, including questions of possible extensions."

quate in extent; that there is still prevalent in some quarters the idea that the state system is a kind of 'club practice' in which the medical profession is being asked to give more than the State is paying for." The observation, however, is made in this connection that "The Committee has no hesitation in saying that the system will never be satisfactory either to the public or to the medical profession until both are convinced that the conditions of service and of payment are such that the practitioner has no reason for making any difference between the patient who pays private fees for attendance and the patient for whose attendance the State is responsible." There is thus a candid admission of such discrimination, however strenuously this may be denied by doctors whose individual opportunities for inquiry may have been more restricted.

It, however, is probably a safe inference that in the majority of cases the treatment is reasonably satisfactory and that the conclusion of the committee is justified that insured persons have, in the main, been generally satisfied with the system and the service as at present available; for, it is said, "Whole classes of them are receiving medical care to an extent which they had never previously thought of, and in many thousands of cases relations of confidence are being established between practitioner and insured patient of a kind which cannot but lead to increased usefulness." It would have been extraordinary if a different result had been experienced. Unquestionably a large proportion of wage-earners are now receiving systematic medical treatment at minimum cost; but such a result could have been much better achieved by a direct state medical service not complicated by the extremely burdensome and hopelessly involved administrative machinery of the National Health Insurance Acts. No doubt under the old Poor Law large numbers of people were receiving more adequate material support than if the workhouse test had been applied to all as in the case of the large majority of able-bodied poor. It is not necessarily an argument in favor of the National Health Insurance Act that in the main the results have been satisfactory to those directly concerned, who at best and at most pay probably not much more than half the actual cost, the remainder being assumed by the employers and the State.*

Regardless of the assertion that the public at large is in general well satisfied, it is pointed out by the Insurance Acts Committee that all physicians in actual practice "are agreed that the present panel sys-

*In the experience of Great Britain the joint contributions of employers and employees have been materially enlarged by Parliamentary grants. Out of a total of one hundred and five million pounds paid in benefits since the commencement of the Act to and including March 31, 1919, forty million pounds or 33.4 per cent. was provided by Parliament through general taxation. It was originally estimated that the State subsidy would not be more than 28,769,000 pounds, and there are the strongest reasons for believing that the grants would have been much larger if the constant demands for an increase in benefits and a broadening of the privileges under the Act had been granted.

tem is imperfect," and it is therefore argued that improvements or extensions are desirable and that modifications should be made, so as to attract to the work as many practitioners as possible. A considerable number of the profession, both consultants and general practitioners, prefer at the present time not to enter into any agreement with any public authority. In actual practice there are quite a large number of persons, it would seem, who are really not in need of the provision that is made for them and who should be required, or at least allowed, it is said, "to arrange for medical attention as ordinary private patients." In other words, it is apparently desired that those who are really able to pay should not avail themselves of the benefits of the National Health Insurance Act, but should be by law precluded therefrom, so as to constitute them a class of pay patients, thus increasing the source of income of both the physicians off and the physicians on the panel.

That those who because of their poverty and economic dependence are most urgently in need of systematic medical attention and at minimum cost are not being effectively provided for under the present system is made clear by the statement on the part of the Insurance Acts Committee that "It remains for the Poor Law to make medical provision for those with no means of support, and it does not include certain classes of poor persons, such as hawkers, who certainly need help to secure adequate medical attention." It is said, furthermore, that "Neither does it provide for the dependents of insured persons who naturally require help as much as those on whom they are dependent." But it is said that it is not to be supposed "that any scheme for national health insurance can at once be made such as to include all those who need it and to exclude all those who do not need it." Apparently the former constitute a much larger proportion of the low-wage-earning element than is generally assumed to be the case; in fact, the Insurance Acts Committee draw particular attention to the urgency of the inclusion of poor-law patients within the plan and scope of national health insurance legislation in the following statement: "There remains a class of persons who normally might be expected to have been employed contributors, but who, usually owing to some physical, mental or moral imperfection, are not in receipt of an income and are provided with medical treatment through the Poor Law. It would be a great advantage from the point of view of unification of the system and in other ways if these persons could share in the medical benefits of an insurance scheme, the 'parish doctor,' as such, being abolished, and the Guardians of the Poor being placed, as regards these persons, in the same position as the employer of the poorest class of

low-wage earners." The evidence could not be more conclusive than this statement, from a trustworthy and semi-official source, that national health insurance has neither done away with poor-law medical support nor is aiming directly and effectively in that direction.

Aside from this rather startling admission, it is also conceded by the Insurance Acts Committee of the British Medical Association, that "The services rendered to insured persons under the existing arrangements are necessarily limited. Additional services are available to a varying extent in different parts of the country, some provided by the State, others by charity, others having to be paid for." This statement is in flat contradiction of the assertion frequently made in this country that *all* the medical needs of British wage-earners are provided for under the National Health Insurance Act. It is pointed out by the committee that "It is an almost unanimous opinion in the profession that the benefits of the insurance scheme should be so extended beyond domiciliary attendance as to provide under proper safeguards, *as a right*, all medical, surgical, or special facilities and treatment which the condition of the insured person may demand." Extended benefits of this character are enumerated as: (1) consultant and specialist service, (2) institutional treatment, (3) pathological and clinical laboratory facilities, (4) X-ray provision both for diagnosis and for treatment, (5) special forms of treatment, such as massage and electricity, (6) dental treatment, (7) a nursing service, (8) advice with regard to pregnancy and attendance at confinement by a midwife with emergency attendance by a practitioner. In other words, all that is really vital to thoroughly effective medical treatment in the more serious cases of prolonged illness is not, in fact, at present included within the provisions of the National Health Insurance Acts. The conclusion is therefore entirely justified that the major portion of the medical service consists of relief of a more or less trivial character in matters of temporary indisposition, upon which huge sums of money are squandered and a vast amount of valuable professional time and equally vast sums in the form of pecuniary assistance, with an appalling and largely unnecessary loss of valuable working-time.

If the plan of national health insurance had been intelligently conceived, there would have been a universal and free provision for the medical needs just enumerated as a matter of life-saving and health-conservation, rather than the existing provision, largely for trivial complaints and a direct inducement to wide-spread malingering, more or less difficult of precise ascertainment.

That these conclusions are in strict conformity to the facts is perhaps best illustrated by the statement on the part of the Insurance

Acts Committee that among the extra or essential services not at present provided for is the administration of anesthetics. It is said in the report that "The Committee has always contended and is still of the opinion that the administration of a general anesthetic should not be considered to be included in the practitioner's contract, but should be provided as extra services."

Since much in this country has been made of the possibilities of consulting clinics, it is interesting to note that the Insurance Acts Committee expressed itself as opposed to this class of institutions, on grounds not very clearly set forth in the report. After referring to the fact that co-operative clinics of a general character, or, more precisely, medical centers where groups of practitioners would see all or most of their insured patients, had been advocated, it is said that "The objection to such an arrangement is that it necessarily, to some extent at least, detracts from the more intimate personal relationship between practitioner and patient," and that insurance practice, under such conditions, "might tend to become more differentiated from ordinary family private practice than need be the case." The conclusion is therefore advanced that "It would be undesirable to establish such clinics as a universal or ordinary arrangement," although it is considered probable that they would otherwise be advantageous, especially in neighborhoods "of a poor or industrial character, where the number of patients is large and where the supply of practitioners or of consulting-room space is meager, and where this method of seeing patients would not differ materially from that already in vogue, in which the establishment of such clinics would be helpful to practitioners and patients alike until conditions alter." The objections advanced cannot be considered valid, if such institutions on general grounds are desirable. The underlying fear on the part of the medical profession is that private or pay patients may realize that they are securing no particular advantages over insured patients. This viewpoint, of course, merely accentuates the clearly realized limitations of medical services under the insurance acts as compared or contrasted with medical service available to private patients or to those who employ physicians in their own way and at their own cost.

It would be quite impossible to present with the required brevity the details of the so-called panel system. While apparently there is free choice of physicians on the panel on the part of the insured population, the choice, of course, is limited to such physicians as accept service on a per-capita basis under the insurance act. Since some physicians are naturally preferred to others, the number of patients may in certain cases be very large and in other cases relatively small.

The question has therefore arisen, and it is one of very material importance, whether any limitation should be placed upon the number of insured persons whom any practitioner may accept for treatment. It is said in the report of the Insurance Acts Committee that "It is undesirable that a practitioner should be responsible for a number of patients which it is beyond his capacity to deal with."* The argument, however, is advanced that no one can gauge that capacity so well as the practitioner himself, and, of course, the persons to whom his services are rendered. This conclusion, however, by no means follows, and entirely disappears upon impartial inquiry into the facts. Self-interest on the part of the physician would naturally suggest the largest possible number of names on his panel, while, on the other hand, a physician of exceptional ability would attract to himself a larger number of patients on the basis of panel service than could properly be taken care of, at least without a number of thoroughly qualified assistants. The Committee suggests that it might be desirable to concede to insured persons the right to change their doctor twice a year or even quarterly without consent, instead of only once a year, as at present. Having made their choice of a physician, and probably in most cases without previous knowledge or extended experience, the choice under the existing system must be adhered to for another year, although often contrary to the best judgment of the insured, for some reason or other dissatisfied with the services rendered.

According to the analysis of the inquiry sent out by the Insurance Acts Committee, seventy areas making replies voted for no limitation as to the number of persons any given doctor might have on his panel list, but thirty-three areas voted in favor of such a limitation; the number suggested varying from 5,000 (wholly panel) to 1,000 in the country and 1,500 in the towns (when accompanied by other practice). The term "wholly panel" means a medical practice exclusively devoted to insurance patients. A maximum limit of 5,000 names would indicate the assumption of a practice entirely beyond the possibility of satisfactory service. The panel committee for the County of London in a memorial dated June, 1917, observed in this connection that "It is undesirable that a practitioner should be responsible for a number of patients which it is beyond his capacity to deal with. In practice, however, it is almost impossible to gauge the capacity in this connection of individual practitioners. It may eventually be necessary to fix some limit to the number of insured persons which may be accepted by any panel practitioner. In view of the unequal distribution of

*The experience under social health insurance is entirely conclusive as to the considerable number of cases, in which a panel practice is too large for the adequate treatment and proper consideration of patients. For convincing evidence see "Health and the State," by Dr. W. A. Brend, London, 1917.

medical men in different areas of London and the varying capacities of practitioners, it does not appear desirable at the present time to secure any uniform limitation of lists. The difficulty arising from excessively large lists is to a certain extent overcome by the automatic action of free choice of doctor, and would be considerably lessened if, as a result of improvements in the service, a greater number of practitioners should accept service under the Act."

As a concrete illustration reference may be made to a discussion of actual experience under the National Health Insurance Act by Dr. E. F. Pratt, in the *British Medical Journal*, March 21, 1914. According to Dr. Pratt, during the last six months of 1913 he paid professional visits and gave professional consultations to the large number of 3,665. This for 151 working-days would average 24 calls a day. For this service he received approximately £305, or for each visit or consultation "the magnificent fee of 1s. 8d." But in addition to his insurance practice Dr. Pratt also carried on his private practice, so that the actual number of patients seen and treated per day would be even larger, and possibly considerably so. It is evident from the statement rendered that while there has been a moderate increase in compensation, there has been a disproportionate increase in the services rendered therefor, or, in the doctor's own words, "It does not require a very mathematical brain to see that the increase of work is out of all proportion to the increase in income." And, further, he points out, "It is natural, then, that we should feel it galling sometimes to have to attend people as panel patients who are quite in a position to pay bills as private patients." He might also have said that in all probability a large number of attendances were for very trivial causes. Out of 3,665 visits and consultations during the last six months of 1913, the number of treatments on account of ailments of the respiratory tract was 477, or 13 per cent., of the gastro-intestinal tract, 412, or 11.2 per cent., and on account of rheumatism, more or less alleged, 356, or 9.7 per cent.

Of course such an experience as this is not necessarily conclusive, but it is certainly suggestive of serious practical difficulties not anticipated on the part of those responsible for the framing and passage of the National Health Insurance Act. The shortcomings of the act affect most seriously the element most urgently in need of qualified attention, but, as observed in this connection by Dr. Pratt, "The position of the deposit contributor is shamefully pitiful." The prevailing opinion is that the present method of remuneration is decidedly inadequate. It is also argued, and on the basis of substantial evidence, "That the present system of calculation and payment produces almost

a maximum of confusion and uncertainty with a minimum of satisfaction." It is said, furthermore, that the system is extremely complicated, but that nevertheless the opinion of practitioners is almost universally in favor of the capitation system. From only one area came the suggestion for a state medical service. An increase in the rates paid was therefore urgently recommended, or, specifically, from the present rate of 7s. per capita to from 10s. to 15s. Upon this important question the *British Medical Journal*, in an editorial in the issue of March 30, 1918, brought forward a strong argument in favor of the acceptance on the part of the Government of the recommendations of the Insurance Acts Committee, as instructed by representatives of the local medical and panel committees, that the capitation fee be at once raised from 7s. to 10s. This request, however, was flatly refused by the chairman of the National Health Insurance Joint Committee, who considered the evidence advanced as quite inconclusive, except on the most general grounds applicable to all conditions of society affected adversely by the higher cost of living, the war, etc. He was willing, however, he said, to consider individually the question of doctors with small incomes, but he was not prepared to consider any general increase, even a small one, "on account of the changed conditions and consequent alterations in the liabilities of insurance practitioners due to the war." He declined also to undertake any partial revision of the general conditions, in order to meet the special claims of rural doctors, that, he said, must wait until the general revision. Regardless, therefore, of the unquestionable necessity of a thorough reconsideration of the entire question of per-capita payments for medical services, directly, of course, related to the question of efficiency of service, the proposals advanced were ruthlessly set aside by the Government, in disregard of the fact that the medical profession was totally unable to extricate itself from a condition of more or less serious hardship in a sufficient number of individual cases to make the agitation as a whole one of general concern.

The experience in England in this respect is an almost exact repetition of the difficulties experienced on the part of the medical profession on the Continent; only, in the case of Germany, at least, and in certain large cities, the struggle of the doctors for adequate compensation has been more successful. But there is involved in this a serious economic question of general concern to the public. Ostensibly at the outset a much cheaper arrangement than the one prevailing heretofore, the constant increase in cost, partly on account of medical attendance and partly for other reasons, tends persistently in the direction of higher contributions, and assumes a proportion of the current earnings totally

unanticipated. The increase in cost benefits not the most deserving element of wage-earners and their dependents, or those most urgently in need of qualified medical attendance and all that that implies, but rather the undeserving, the malingerer, the impostor, or that large group of chronic complainers who utilize minor ailments and indispositions to derive pecuniary benefits from a fund or institution to which they have made contributions on their own part out of all proportion to the advantages secured.

Whatever views may be held as regards the material aspects of a professional question, it is self-evident that unless the medical service is adequately remunerated it must necessarily suffer a substantial decline. Men cannot be expected to enter a profession for which the prerequisite is a prolonged and costly previous education with the possibility of sufficient earnings frequently deferred until well advanced middle life. To keep abreast with medical progress involves active participation in professional discussions and a practically continuous education through more or less expensive periodicals, text-books, postgraduate courses, etc. It is therefore of the utmost importance that the remuneration for medical services should not only be reasonably adequate, but liberal, considering the very great value of such services to the individual and the community, on the one hand, and the serious stress and strain of the professional life of the medical practitioner, who ranks second to none in public usefulness, on the other.

But equally important is the question of adequate medical services, and adequacy must certainly more or less depend upon the qualifications of those who are willing to render services to the State under conditions likely to be thoroughly unsatisfactory, if the remuneration is insufficient or if other burdensome conditions are imposed which interfere with professional efficiency. These difficulties are largely a matter of self-adjustment under the voluntary system, which regardless of many and serious shortcomings is nevertheless in the main a satisfactory one to a large majority of the people in need of medical attendance obtained in their own way and at their own cost. No state regulations or state control can possibly meet the countless difficulties of delicate adjustment possible in private practice, but practically out of the question under a more or less autocratic, burdensome and complicated system of national health insurance.

An excellent illustration of this difficulty is the question of appliances, whether surgical or otherwise, which it is the duty of the practitioner to prescribe in cases of urgent necessity. According to the report of the Insurance Acts Committee, "The supply without cost to

the patient of appliances more or less permanently needed is wasteful, such an appliance being more carefully used and generally more appreciated by the patient if he has to pay for it. But if the existing arrangements were materially altered, and certainly in connection with the establishment of extra services for insured persons, the matter would need reconsideration." While granting that the list of appliances at present provided for under national health insurance is certainly meager, it nevertheless is said that "to add to this list under present conditions would be undesirable;" in other words, urgent necessity is sacrificed to pecuniary expediency.*

What is true of the insufficiency of the provision for appliances is even more true of the neglect for efficient nursing service. As regards the treatment of tuberculosis, which under the National Health Insurance Act is made a matter of separate consideration, it is frankly conceded that the provision therefor is totally inadequate in a large number of cases; but it is said in the report of the Insurance Acts Committee that "If, as is so often the case, the chief need is for better housing conditions or for extra nourishment, enquiry should be made by the proper authority immediately upon notification of a case, and the needs supplied, or the faulty conditions as far as possible remedied, or the patient removed if necessary from them." In other words, the underlying unsatisfactory social and economic conditions more or less directly responsible for the excessive frequency of tuberculosis in certain localities, or certain groups of wage-earners, are recognized as being of paramount importance, but the problem is left unsolved. Instead of aiming persistently at better housing and higher wages, the National Health Insurance Acts only tend to ameliorate to a limited degree a deplorable economic condition, which obviously is the responsible cause, and the mitigation of which involves heavy expenditures though not providing a solution satisfactory to those concerned.

The Insurance Acts Committee is opposed to the view that the main requirement in connection with tuberculosis is treatment in a sanatorium. It rather endorses the conviction which has been gaining ground during recent years that domiciliary treatment is preferable in a large number of cases, not only for economic, but also for medical reasons. The committee observes that "The administration of some Insurance Committees and of some Public Health Authorities in this matter is far less efficient than that of others, and the fact that these two bodies have dual and overlapping powers is inconvenient and undesirable. The whole system requires revision in the light of experi-

*See "Health and the State," by Dr. W. A. Brend, London, 1917.

ence, and in any such revision it is essential that regard shall be had to the suggestions made in the preceding paragraph as to the paramount importance and responsibility of the general practitioner in all cases, as well as of other medical officers in many cases, should be recognized."

There has been an increase in the facilities for the institutional treatment of tuberculosis, but progress in this direction has fallen decidedly short of expectations. Between 1914 and 1917 the number of beds in approved institutions increased from 9,200 to 11,700 in England alone. Considering that the number of deaths from pulmonary tuberculosis in England and Wales during 1916 was 41,545, which at the minimum ratio of at least ten existing cases to one death implies that there were not fewer than 415,450 active cases of tuberculosis, the provision made cannot be considered adequate.*

It is, of course, difficult to thoroughly understand the local situation from the available official reports, including the extended discussion of the problem in the Consolidated Report on the Administration of National Health Insurance, 1914-1917, but the impression is not one of positive assurance that the problem of adequate institutional facilities, even for advanced cases, is being properly met, after some seven years of operation of the National Health Insurance Acts in the United Kingdom. Allowance, of course, must be made for the war, but it requires to be kept in mind that the disease during the last few years has shown a measurable tendency towards an increase, so that the urgency for more adequate institutional provision is even more apparent at the present time than in the past.†

With further reference to domiciliary treatment it should also be said that in consequence of new orders and regulations on the part of the Local Government Board a broader policy has been developed, the general effect of which has been "to secure that the Tuberculosis Officer of the approved tuberculosis dispensary is placed in a consultative relationship to the practitioners carrying out domiciliary treatment, and that domiciliary treatment is thus linked up with the tuberculosis scheme of the Local Authority providing the dispensary and appointing the Tuberculosis Officer," all more or less, however, in conformity with the earlier plan based on the order of July, 1912.

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*Numerous complaints have been made against inadequate sanatoria provision for tuberculosis and non-conformity to the statutory requirements of the Act of 1911. In the House of Commons, on May 8, 1918, Mr. Frederick Roberts, M. P., asked the president of the Local Government Board if his attention had been drawn to the inadequacy of the accommodation provided in Staffordshire for the treatment of insured persons suffering from tuberculosis; and if so, what steps he proposed to take to meet the requirements. No denial was made of the fact, but a promise was made of early improvement in the existing situation.

†For a discussion of the recent increase in tuberculosis, see *The Spectator* of June,19, 1919.

It is also of importance that under Section 17 of the Act of 1911, power was conferred upon each insurance committee to extend at its discretion sanatorium benefit to the dependents of the insured persons resident in its area, or to a class of such dependents. It is stated, however, in the Consolidated Report that "Owing principally to the nature of the comprehensive schemes undertaken by County and County Borough Councils for the institutional treatment of tuberculosis amongst the population generally, this power in England is exercised by very few Insurance Committees, and, in general, dependents, together with other non-insured persons, are dealt with under the scheme of the County or County Borough Council for tuberculosis treatment."

Since so much has been expected of the national insurance act in the prevention and control of tuberculosis, it is especially significant that in this most important direction the results are also decidedly unsatisfactory. The fundamental principle of action on the part of the authorities is that "An insured person is *not* entitled to sanatorium benefit unless recommended by the Insurance Committee for such benefit." In the case of persons moving from one locality to another where the general facts and personal circumstances of the case are more or less in doubt, it is self-evident that such a system must lead to much dissatisfaction; in other words, it is not a question as to whether institutional care is required in the opinion of a qualified medical practitioner, whether on the panel or not, but whether the case itself is approved by the insurance committee, which may not be in a position to dispose of a given case with a full knowledge of all the facts and circumstances involved or may have such small funds in hand that it cannot give the benefit to every deserving case. According to the Consolidated Report, however, broadly speaking, "Where an insured person applies to an Insurance Committee for sanatorium benefit within three months of removal into that Committee's area from the area of another Committee, and is not, at the time of removal, entitled to treatment under a recommendation for sanatorium benefit made by the latter Committee, the funds of the latter Committee in due course suffer a deduction known as case-value debit and the funds of the former Committee in due course receive a credit." Clearly, the questions involved are economic rather than medical and are matters of accountancy or of debit and credit instead of first and last the interests of the afflicted person or persons, possibly imperatively in need of being provided for without delay with institutional or domiciliary treatment under national health insurance, as the case may be.

A section of the Act of 1911 provides, or rather, contemplates

"that insured persons should be able to have the benefit, when needed, of skilled nursing as supplementary to medical attendance and treatment." This provision or intention has only to a limited extent been carried into effect. It is said in the Consolidated Report that "It had become clear that neither Committees nor Societies had at their disposal any considerable sum which they could devote to the provision of nursing, but convincing representations were received from representatives of Approved Societies, Associations of Nurses, and doctors on the panel, to the effect that the provision of nursing was calculated to hasten the return of sick persons to health, and therefore to relieve the funds of Approved Societies." It was therefore decided to make a Grant-in-Aid of £100,000, which, it is explained, in the Consolidated Report, was done "in view of the close connection which must exist between any nursing which was provided and the organized medical service of insured persons." This fairly substantial sum was plainly in the nature of a gratuity or subsidiary consideration, not directly paid for out of the joint contributions of employers, employees and the State, under the National Health Insurance Act. In practice the provision has been far from adequate, for even previously to the war, "the existing supply of fully qualified nurses fell far short of what would be necessary to supply a complete and universal domiciliary nursing service for the insured population." In fact, it would seem that while the grant of £100,000 was made it was not drawn from the Exchequer, in view of the limitations indicated, but whether this action was adopted only since the outbreak of the war and in consequence thereof is not clearly stated. The inference, however, is fully justified that the existing provision for public health nursing in the United Kingdom under national health insurance, and limited to the most deserving tuberculous cases, is far less satisfactory than in the United States, where *without* compulsory health insurance nursing services have been developed through public and private assistance or in consequence of philanthropic co-operation, etc., for the benefit at least of those most urgently in need thereof.

Under national health insurance medicines, subject to certain restrictions, are included in the medical treatment. The practical administration of this provision has resulted in an extremely complicated system of accounting and numerous rules and regulations aiming, in the main, at the reduction of the average cost of the prescription by the exclusion of the more expensive ingredients. The enormous magnitude of the task of the minute supervision of prescriptions is best brought out by the official statement that the number of such prescriptions issued annually under the National Health Insurance Acts

in England alone is over 25,000,000. The insurance committee is under contract with the local druggists for the furnishing of medicines on the basis of a list of prices for specified drugs and appliances, subject to periodical revision. The act itself provides for the cost of drugs on a purely arbitrary basis of 2s. per capita per annum of the insured population. Provision is made, however, for a readjustment of differences in charges, but the possible excess must not exceed 6d. per capita per annum. The drug tariff agreed upon is one subject to interpretation, for the insurance committee is not bound to pay in all circumstances the prices agreed upon, but it makes the maximum prices subject to a variable rate of discount. All of this, of course, involves an enormous amount of labor in matters of detail. By the end of 1914 the dissatisfaction had become so general that a departmental committee of inquiry was appointed in February, 1915, to consider and report upon the tariff and to draw up a revised one, if necessary. The report of this committee is an illuminating contribution to the administrative literature of national health insurance. It clearly emphasizes the extreme complexity of Government supervision, direction and control of a vast business enterprise for a highly specialized purpose of sole concern to a restricted though large proportion of the population. Recalling the fact that the per-capita allowance for medical services is 7s. and that of this allowance 2s. is supposed to be set aside or to be available for the payment of medicines and appliances, the calculations involved in the ultimate settlement of tens of thousands of separate accounts must obviously be enormous. All efforts to reconcile conflicting claims have thus far failed to provide a satisfactory solution. A series of conferences were held which revealed a general concurrence in the view of the commission that "the work could be performed with the maximum degree of expedition and economy under joint or co-operative arrangements in lieu of separate arrangements by each committee." This was objected to by some, but agreed to by the majority. Groups having been formed, local conferences were held to decide as to the expediency of a joint pricing bureau to be established by the particular group, the form of control, staff, etc. Here again differences of opinion arose, and to avoid a breakdown, the commissioners, though reluctantly in view of the pressure on their depleted staff, themselves undertook the establishment and management of a bureau on behalf of the committees concerned, pending the settlement of the differences which had arisen. Such a settlement was finally reached when the control of the bureau was handed over to a joint committee representative of the committees concerned.

Thus one official organization after another is coming into existence to perform functions wholly alien to the normal relation of doctor and patient, and, broadly speaking, ineffective to produce material advantages to both parties, with a due consideration of the inevitable expense involved in any and all governmental efforts to control prices by means of minute regulation.

As a very brief illustration of the enormous complexity of the control of the drug tariff, with a due regard to the determining of the qualities of the medicines dispensed, the following statement is quoted from the Consolidated Report of National Health Insurance for 1914-1917: "The work of the Bureau," it is stated, "extends beyond the Commercial Tariff pricing. It includes the reassessment of the prescriptions on the basis of the 1915 Tariff for the purpose of ascertaining the doctors' share of the Drug Fund, if any, and also the supply of statistical data, free of charge, to Panel Committees, for their use in connection with their investigations into the prescribing methods of particular doctors. The data are supplied monthly (or quarterly, if preferred by the Panel Committee), both in respect to the last completed month (or quarter) and also for the whole period of the calendar year up to and including that month (or quarter). The statistics include: (1) Total cost of prescriptions for the area. (2) Total number of prescriptions for the area. (3) Total cost of prescriptions for each doctor. (4) Total number of prescriptions for each doctor. (5) Average cost per insured person on doctors' lists for whole area. (6) Average number of prescriptions per insured person on lists for whole area. (7) Average of cost per insured person on each doctor's list. (8) Average number of prescriptions per insured person on each doctor's list. (9) Average cost per prescription for whole area. (10) Average cost per prescription of each doctor's prescribing."

The expenses of the pricing bureau are borne by the insurance committees associated together in its management, a committee's share of the total expenses being determined by the ratio which the number of their own prescriptions bears to the aggregate number of prescriptions dealt with by the bureau. But the difficulties and perplexities do not end here. The cost prices of the drugs on the tariff are revised monthly, in consultation with the Pharmaceutical Society, on the basis of the current wholesale prices. One artificial difficulty after another has therefore been created in consequence of the national insurance acts, not directly related to either the desirability of reducing the cost of medical prescriptions or of improving the quality of the medicine and appliances furnished. An enormous amount of time and a very substantial amount of expense are involved in the bureau-

cratic administration of what, after all, is primarily a matter of private enterprise, unless the manufacture and distribution of drugs are assumed on the part of the State for precisely the same general reasons as govern in the assumption of the insurance function, which is more or less ill defined.

In contrast to the elaborate Government machinery for supervision, regulation and control, which has come into existence in connection with the administration of the National Health Insurance Acts, very little of real value has been achieved in the direction of a better and more effective national health administration. It is somewhat difficult to separate this question at the present time from the broader problem of a proposed Ministry of Health. The frequent assertion that far-reaching benefits have resulted to national health in consequence of compulsory health insurance or sickness insurance is quite erroneous. There is practically no reference of real value to public-health questions in the Consolidated Report on National Health Insurance for 1914-17, and apparently the entire subject is relegated to the rear for the time being, although much is expected from a Ministry of Health which would include the administration of all public-health matters as well as national health insurance.* A very important exception, however, to this conclusion is the scientific work of the Research Committee of the National Health Insurance Joint Committee, which has been active in a number of important directions, although much of the original program was suspended on account of the war. Regardless of the discontinuance of some of the investigations in progress previous to the war, the scientific services rendered to the Admiralty, the War Office and the Ministry of Munitions must be considered a notable contribution to the cause of public health in its

*On June 25,1918, by an order in council a Ministry of Health was established for England and Wales, with the Rt. Hon. Christopher Addison, P. C., as First Minister of Health. The insurance commissions heretofore existing have had their powers transferred to the Ministry of Health, which in the future will be the supreme authority in all matters of national health insurance in Great Britain. It has thus come about that insurance functions, largely economic, have been made subservient to the health functions of the State, largely medical and social, and it is extremely significant that the new Minister of Health, at least for the time being, will also have charge of the administration of the poor law, which has been transferred from the former Local Government Board, which has gone out of existence with the passing of the Ministry of Health Act. Of exceptional interest in this connection is a statement by Sir Arthur Newsholme in the concluding sentence of a contribution on "National Health" to the *Contemporary Review*, of May, 1919, reading that "A higher ideal in health matters can be cultivated; public opinion can be trained; but the enactment of compulsory reform which does not carry with it the public spirit of the nation must always in large measure fail. It is in non-realization of this factor that social enthusiasts not infrequently fail. They are impatient of delay, and are often unwilling to undertake the necessary missionary work on voluntary committees and at the meetings of local authorities. The present local authorities are too numerous, and their unnecessary multiplicity is a serious obstacle to progress. But much more would be done even under existing conditions if rancorous and ill-informed criticism were avoided, and if active co-operation with appreciation of what is being done replaced it. Nothing has made it so difficult to secure the continued services of good men to undertake the burden of local government as the uncharitable and undiscriminating criticism aimed at those engaged in it. Exact knowledge of local conditions on the part of every citizen is needed to ensure the needed co-operation; and without a high moral ideal on the part of onlookers as well as of administrators the further triumphs of preventive medicine, now possible, will fail to be secured."

broader aspects. Of the reports which have been issued, perhaps the most important is the investigation of the incidence of phthisis in relation to occupations, limited, however, to the boot and shoe trade. Among other investigations are reports on the cerebro-spinal fever epidemic of 1915, the occurrence of amebic dysentery among troops returning from the Eastern Mediterranean, a report on the disordered action of the heart and a rather extended analysis of the problem of mortality in infancy and early childhood. The most elaborate work, however, is a treatise on Milk and Its Hygienic Relations. Any one of these investigations, of course, could have been made, if required, by the medical officer of the Local Government Board, thoroughly qualified, in charge of an important department, and competent to render substantial assistance; in other words, such investigations as are here referred to, however commendable and encouraging, are merely evidence of the assumption of particular health functions by a new organization and not necessarily proof that such investigations would not have been made if such an organization had not existed.

In the United Kingdom, as elsewhere, it is customary for public-health officers to make annual reports. On account of the war, however, the publication of such reports has either been discontinued or the contents of the reports have been so materially abridged as to preclude a full account of what has actually been done or been achieved in certain highly specialized directions of public-health activity. A review of the reports for the principal cities of the United Kingdom previous to the outbreak of the war or previous to the discontinuance subsequently of publication, but covering the entire period since the National Health Insurance Acts came into operation, fully justifies the conclusion that the relation of national health insurance to national-health progress is extremely superficial and of only very slight practical value to the public. Most of the references to national health insurance in its relation to public-health progress which occur in the local health reports for representative cities and towns of the United Kingdom have reference to tuberculosis, which under the National Health Insurance Acts is a matter of separate consideration. There is nothing to indicate that, if the Local Government Board had been charged with the duty of a more effective and thoroughly coordinated plan for the extension of tuberculosis activities, the work in this field of public-health effort would not have been done in as satisfactory a manner, if not more so, than under national health insurance.

Section 63 of the Act of 1911 provides that "Where it is alleged by the Insurance Commissioners or by any approved society or Insurance

Committee that the sickness which has taken place among any insured persons, being in the case where the allegation is made by a society or committee, persons for the administration of whose sickness and disablement benefits the society or committee is responsible, is excessive, and that such excess is due to the conditions or nature of employment of such persons, or to bad housing or insanitary conditions in any locality, or to an insufficient or contaminated water supply, or to the neglect on the part of any person or authority to observe or enforce the provisions of any Act relating to the health of workers in factories, workshops, mines, quarries, or other industries, or relating to public health, or the housing of the working classes, or any regulations made under any such Act, or to observe or enforce any public health precautions, the Commissioners or the society or committee making such allegations may send to the person or authority alleged to be in default a claim for the payment of the amount of any extra expenditure alleged to have been incurred by reason of such cause as aforesaid, and, if the Commissioners, society, or committee and such person or authority fail to arrive at any agreement on the subject, may apply to the Secretary of State or the Local Government Board, as the case may require, for an inquiry, and therefore the Secretary of State or Local Government Board may appoint a competent person to hold an inquiry."

This important provision is apparently considered of very secondary importance, for no extended references thereto appear in the Consolidated Report for the period of 1914-17, although the law requires that, "If, upon such an inquiry being held, it is proved to the satisfaction of the person holding the inquiry that the amount of such sickness has (1) during a period of not less than three years before the date of the inquiry; or (2) if there has been an outbreak of any epidemic, endemic or infectious disease, during any less period; been in excess of the average expectation of sickness by more than 10 per cent., and that such excess was in whole or in part due to any such cause aforesaid, the amount of any extra expenditure found by the person holding the enquiry to have been incurred under this part of the Act by any societies or committees where the allegation is made by the Insurance Commissioners, or, if the allegation is made by a society or committee, by the society or committee in question, by reason of such cause shall be ordered by him to be made good" in accordance with the following provision, reading in part,*

*In this connection the following quotation from Dr. W. A. Brend's "Health and the State" (pages 255-256) is of particular interest:

"Apart from the hopeless complexity of the machinery of this Section there is another condition which practically nullifies its value for Public Health purposes. Excess of sickness is to be determined

> Where such excess or such part thereof as aforesaid is due to bad housing or insanitary conditions in the locality, or to any neglect on the part of any local authority to observe or enforce any such Act or regulation or such precautions as aforesaid, it shall be made good by such local authority as appears to the person holding the inquiry to have been in default, or, if due to the insanitary condition of any particular premises, shall be made good either by such authority or by the owner, lessee, or occupier of the premises who is proved to the satisfaction of the person holding the inquiry to be responsible.

The foregoing quotations are from the annual report on the Sanitary Condition of the Hackney District for the Year 1912. They were apparently included in the report solely for the purpose of directing attention to the possibility that in connection with an impending epidemic of smallpox in consequence of the neglect of vaccination the authorities might have the power to proceed, under the provisions of the National Health Insurance Acts, but it is observed in this connection, in the report referred to, that "The average expectation of sickness due to smallpox is practically *nil* where efficient vaccination is enforced, therefore almost any outbreak arising from neglect of vaccination should engage the attention of the Insurance Commissioners, with a view to apportioning the extra expenditure, due to excessive sickness, on the defaulting authorities, in accordance with the above section."

Apparently, however, no such action as is intimated was either required or thought advisable, although in contrast to 5,437 births reported only 2,272 vaccination certifications were received during the year.

A rather interesting reference to tuberculosis occurs in the annual health report of the city of Nottingham for 1913, in part as follows:

> The specially well-marked decline in the mortality from tuberculosis, which has undoubtedly resulted from the crusade against it organized with so much

by comparison with the 'average expectation of sickness,' which is to be calculated in accordance with tables prepared by the Insurance Commissioners for the purpose of valuations. Presumably an average expectation for each sex, and for each year of age, will be determined for each of the four kingdoms. But the object of the Section is to detect excessive sickness due to local causes, and for this purpose the comparison should be between the group subjected to this special cause of sickness and other persons living under approximately the same conditions except as regards the special cause. What is really required is an average local sickness rate for every district. The comparison with the rate for the whole country takes no note of broad differences due to climatic conditions or general character of the environment or occupation. In the agricultural South of England the standard of comparison would be too high; in the industrial districts of the North it would be inequitably low. In a rural town or district of Sussex it might well happen that a local cause was appreciably increasing the sickness rate among a group subjected to it, above the sickness rate of the district, yet when the comparison is made between the sickness of the group and the average expectation of the whole country, no excess may be apparent, simply because the general conditions of the district are so healthy. On the other hand, in a crowded mining or industrial town, the general sickness rate may be constantly 10 per cent. or more above the average expectation of the whole country, owing to the aggregate evils of industrialism, and it would be impossible to prove that an individual manufacturer was responsible for the excess in his particular mill. As the writer interprets the Act, comparison cannot be made with local sickness rates for the purposes of this Section; but even if it could be, the extreme difficulty of determining those rates remains."

energy in recent years, and which culminated in the "Medical" and "Sanatorium Benefit" provisions of the National Health Insurance Act, is highly encouraging, because it shows that the prevalence of the disease can be reduced by appropriate measures of prevention and cure below the relatively low point reached (in this country) towards the end of the nineteenth century, and which many people were disposed to regard as an almost irreducible minimum. General sanitary improvements and rational education had effected this previous reduction; it remained, and yet in great measure still remains, to reach the individual persons in the classes now principally affected, and induce them to regulate their lives according to this knowledge. If this is done the disease will continue to decline, but probably only to a certain point, for so long as a "submerged" social "tenth" exists, tuberculosis will almost certainly also continue to exist as one of the diseases by which offended Nature eliminates the unfit.

The final conclusion of the health officer of Nottingham is of special importance in connection with the general question of compulsory health insurance, for, as intimated, just as long as decidedly unfavorable social and economic conditions known to be predisposing causes of tuberculosis continue to exist, so long a further and substantial decline in the death rate therefrom cannot be realized. Dr. Philip Boobbyer, the medical officer of health of Nottingham, has made exhaustive investigations into the relation of tuberculosis to housing, as determined by the rental charges, and has established quite a conclusive correlation of thoroughly undesirable housing conditions and all that is comprehended under that term and an excessive incidence of pulmonary tuberculosis. He is therefore entirely justified in drawing the final conclusion that all the facts "point simply to the necessity for reform in the conditions of life among the poor and the industrially employed. More fresh air and sunlight, greater cleanliness, better feeding, and more sobriety are specially required to counteract the existing tendency among these sections of the general community to succumb to infection."

Nothing is said of national health insurance or the preventive value of pecuniary benefits even during prolonged illness or the possibility of better medical attendance during illness from tuberculosis but the sole emphasis is placed, and properly so, upon the drastic removal of the conditions known to be directly responsible for the excessive frequency of the disease.

But even under the best conditions, where every effort is made to correlate national health insurance to tuberculosis treatment in special institutions or under improved domiciliary conditions, the results are still far from satisfactory. As said, for illustration, in this connection by the medical officer of health of the Northamptonshire

County Council for 1913, after pointing out that the council had resolved that it was prepared to enter into arrangements with the Northamptonshire Insurance Committee with a view to providing treatment in sanatoria and other institutions for insured persons suffering from tuberculosis and that it was prepared, also, subject to the conclusion of a satisfactory agreement with the insurance committee, to undertake the institutional treatment of the dependents of insured persons to whom sanatorium benefit had been extended by the insurance committee:

> In view, however, of what they considered to be the inadequate financial assistance provided by the Exchequer towards carrying out the scheme, of the uncertainty of the number of persons to be treated, and of the amount of funds available from all sources for the purpose, the Council decided that they could not pledge themselves at present to the carrying out of every detail of the scheme within any given period.

Again, in the report for 1914, the chief medical officer of health observes that,

> I have to report that, while the work of the Chief Tuberculosis Officer has been most valuable, the events in connection with the Sanatorium Benefits under the National Insurance Act, 1911, have fallen short unfortunately of what had been anticipated for the year. In the first place, it was quite the end of the year before the prospect of an agreement could be come to with the Northamptonshire Insurance Committee, as to the provision of treatment in sanatoria and other institutions for insured persons suffering from tuberculosis. It seemed probable, however, by that time, that an agreement might be entered into between the County Insurance Committee and the County Council, whereby the latter should provide the services of the Tuberculosis Officer, together with the necessary Dispensaries and Shelters, and thirty beds in a sanatorium, in consideration of the payment by the former of 7d. per head of the insured persons in the County. This arrangement will, in any case, not cover the expenses of the scheme for the provision of the Sanatorium Benefits set on foot by the County Council; but it will have the satisfactory result of concentrating the work of tuberculosis prevention in the hands of a single public body. In the second place, no final decision has been come to in regard to the provision of a Sanatorium for the County. It will be remembered that, in my last Annual Report, I foretold the likelihood of a Provisional Joint Committee being formed for the purpose of establishing a Tuberculosis Sanatorium to meet the requirements of the Borough and County of Northampton, while safeguarding the interests of the Trustees of the existing Sanatorium at Creaton. Such a Committee was formed, the consideration of sites and plans occupied the time of many meetings of that Committee, and there was a good prospect of a final decision being come to, one way or another, by the Public Health, Housing and Local Government Committee of the County Council, in respect of what is known as No. 2 site at Hollowell Grange, when negotiations were ended by the withdrawal of the

Northampton Borough Council from further negotiations. This occurred at the meeting of the Borough Council on the 7th of December, 1914, and there was no alternative left the County Council but to proceed to the formulation of a Sanatorium Scheme independently of the Borough Council. This is now being done.

Also, in the report of the same official for 1915, it is said that,

The influence of the War has been felt in this County, also, in connection with the Sanatorium Benefits under the National Insurance Act, 1911, both in respect of delay in the provision of sanatorium accommodation and of some measure of interruption in the work of tuberculosis control through the employment of Dr. Muriset on Military Medical Service. This last condition has been minimized, however, to the utmost by the conscientious work of Dr. George Rice, Consulting Physician to the Derbyshire Royal Infirmary, who, being over military age, was elected temporarily to the post of Chief Tuberculosis Officer during the period of the War. It has been necessary, on the other hand, to postpone the consideration of all capital expenditure for the provision of sanatorium accommodation, and to rely, as far as may be practicable, on the accommodation already existing in the country for the treatment of cases suitable for sanatoria. Moreover it was not found possible during the year to complete the negotiations, which had been for some length of time in progress, as to an agreement between the County Council and the Northamptonshire Insurance Committee.

In this connection it may be said again that the references to national health insurance in the annual reports of local medical officers are, as a rule, very brief, and, in fact, most of the reports contain no references of practical value whatever. Of special interest, however, in this connection, is a brief discussion of the subject in the Annual Report of the County Medical Officer of the Hampshire County Council for the year 1913, as follows:

In previous annual reports, I have drawn attention to the vast amount of unrecognized and untreated sickness prevalent among the poor. The non-recognition of this by those responsible for the estimates of the Insurance Act resulted in the scheme drifting towards insolvency. This unsatisfactory actuarial position was due partly to the fact that the old friendly society member was a picked life, and, moreover, was accustomed, as a rule, to claim medical and sickness benefit only for serious illnesses, but mainly to the excessive claims for the married women wage-earners. As a result of these unexpected claims, many of the "approved societies" are said to be approaching insolvency, and the problem that at once presents itself is what is to be done with their members. One possibility is to add them to the existing deposit contributors to form a county society under county control.

With reference to maternity benefit, it is said that

Another subject that should be transferred to county or county borough councils is the administration of maternity benefit and the treatment of all

disorders connected with pregnancy and birth. Properly administered, this benefit, accompanied by the provision of all necessary treatment, should result in a great diminution in infant mortality, and should therefore take its proper place among measures that directly affect the public health.

Investigations into the results of the Maternity Benefit have apparently established the following facts:

(1) The hygienic improvement effected by the unsupervised and unconditional money payments is problematical.

(2) The additional provision actually made for the needs of the mother and infant amounts, on the whole, to comparatively little.

(3) Hardly any medical or midwifery assistance is being given over and above what was previously obtained.

Any grant out of public money for pregnancy and maternity ought to be linked up with the existing public health work, if it is to be effectual as a real health benefit, and if it is to make adequate provision for the expectant mother, for child-birth, and for infancy. It is not likely that any satisfactory solution of the present administrative difficulties will be found until all liability for maternity and pregnancy is removed from the Insurance Fund. Complete responsibility, both ante-natal and post-natal, should be placed upon the County Council for all cases, whether insured or uninsured, and the administration of these matters should be linked up with the present Public Health Department of the County Council, who would then be enabled to proceed effectively with such schemes as schools for mothers, and the general supervision of pregnancy and motherhood. . . . There is no reason why pregnancy should not follow the lines of the present Sanatorium benefit, the County Councils being given powers to extend such benefits to non-insured persons in just the same way as they may extend the Sanatorium benefit. The right to a money payment could be reserved for insured persons, but all necessary provision for the confinement, institutional or domiciliary, should be available for every woman. It is only by some such scheme that it will be possible to avoid the disastrous injustice of leaving a million and a half women totally unprovided for as regards their confinements.

The foregoing observations are so much more valuable in view of the apparent indications that much had been expected from the National Health Insurance Act on the part of the medical officer of the Hampshire County Council, as is clearly emphasized by a reference to the subject in his annual report in the year 1912, when, of course, the opportunity for a thorough test had not yet arrived:

The claims for this Act to be regarded as a public health measure are irresistible, but the machinery set up by the Act prevents as far as is possible the development of the public health side of the scheme. The Hampshire County Council joined with others in pointing out that the natural authority for the administration of the Act was the County Council, but in spite of these representations *a new public body was created*, which added to the already too great number of authorities dealing to a greater or less extent with medical benefits for the public. It now appears possible that in the near future the

work will be united with that of the Health Committees of county and county borough councils. In practice the actual work of administration is not great, and in the hands of an experienced officer it would easily be condensed sufficiently for it to be dealt with by a county council committee. The obvious energy, ability, and enthusiasm of the present Insurance Committee could be retained by a system of co-operation.

One of the principal claims of the Insurance Act to be considered a public health measure is the existence of section 63, which enables an insurance committee, or an approved society, or the Commissioners, to claim from certain persons or local authorities the cost of excessive sickness which may be proved to be due to the default of such persons or authorities. The object of this section is excellent, but it is doubtful whether the machinery provided for its application will enable it to be carried out in its entirety. In any case, however, the existence of such a section can only do good, and it is hoped that insurance committees and friendly societies will lose no time in bringing before individuals and sanitary authorities matters which, in their opinion, are adversely affecting the health of the public.

The evidence is more negative than positive that, broadly speaking, British public-health administration has not been effectively coordinated to national health insurance in behalf of the required effort to materially reduce the prevalence of unnecessary sickness of a serious nature and to bring about a further reduction in the mortality from strictly preventable diseases. It is of importance in this connection to consider the following quotation from the official report of the Memorandum of the Panel Committee for the County of London, under date of June, 1917, with special reference to the subject of the prevention of disease:

It is sometimes urged as an argument against the present medical arrangements that the panel practitioner is not encouraged to take an active part in the prevention of disease. It may be pointed out that by the system of payment by capitation fee now almost universally adopted under the insurance Act, the pecuniary interests of the practitioner are entirely enlisted on the side of keeping the insured persons on his list in a state of good health. At the same time the Panel Committee for London is of the opinion that the two great functions of medicine, the preservation of the public health and the treatment of individual persons by methods either curative or preventive, must, if they are to be efficient, be carried on by different services of medical men under separate administrations. Such separation should be combined with the closest coordination between the departments and services concerned, by which the knowledge and experience of general practitioners of social and hygienic conditions might be better utilized.

In the opinion of the Committee it is essential in order to secure such coordination that a Ministry of Health should be established to control all forms of public medical service in the Kingdom. In such an ordered control of medical work it would be possible to secure for the clinician the important and responsible position which he ought to occupy.

> The Panel Committee is also of the opinion that progress in the direction of prevention of disease would be effected by greater efforts being made to secure that all insured persons on becoming entitled to medical benefit should at once place themselves on the list of a panel practitioner. The interview which would in normal conditions take place between the doctor and the presumably healthy insured person, especially if it were accompanied by a medical examination, would often enable advice to be given which might tend to prevent the later development of disease. The punctual inclusion of all insured persons on doctors' lists would best be secured by the imposition of a suitable penalty for undue delay. This would also tend to remove difficulties which, not unnaturally, arise when an insured person not on any list, seriously ill and in need of treatment, applies to be accepted by a panel practitioner.

These semi-official observations and conclusions are in strict conformity to the facts. There is no evidence available to prove that national health insurance, during the eight years since the law went into effect, has had a decided influence for good upon the progress of public health throughout the United Kingdom. The annual reports of the Local Government Boards of England, Scotland and Ireland are practically silent on the subject. The same conclusion applies to the annual reports of the Registrar-Generals of England, Scotland and Ireland. The most recent Parliamentary publication on "Industrial Health and Efficiency" of the Health of Munition Workers Committee of the Ministry of Munitions also fails to draw attention to national health insurance as a method or a means whereby any one of a multitude of social and economic problems more or less directly related to health and mortality can be brought nearer to a successful solution. This report represents what is probably the most carefully considered inquiry ever made into the question of industrial health and its relation to industrial efficiency. If compulsory health insurance is such a panacea as is alleged by those who are conducting the propaganda in this country, it is little short of a paradox that the foremost health authorities of the United Kingdom in connection with a question of the most profound national concern should not rely more upon it as a means in the furtherance of their plans.

The final report of the Health of Munition Workers Committee, after a brief preliminary and historical survey, considers in detail such questions as the relation of fatigue and ill-health to industrial efficiency, industrial employment of women, hours of labor, shifts, breaks, spells, pauses and holidays, Sunday labor and nightwork, lost time, food and canteens, etc. Following this extended discussion is a section on Sickness and Ill-health, in which it is said that

> Sickness due directly or indirectly to the industrial occupation takes various forms and degrees, from the passing headache to serious organic disease of

fatal issue. The lungs, the heart, the digestive organs, the nervous system, the muscular system—each or all may be affected with results harmful both to industrial efficiency and output, and also to personal health and expectation of life. Moreover it must be remembered that an undue proportion of sickness in any group of workers usually represents among those not actually sick lessened vigor and activity which cannot fail to reduce output. Disabling conditions or influences which injure some have a tendency to mark all. Employers and their work-people should therefore have a general appreciation of these injurious conditions if they are to be on the outlook to guard against or mitigate their evil effect.

In view of the foregoing the committee suggests that, speaking generally, attention should be given to (1) excessively long hours of work, particularly by night, (2) cramped and constrained attitudes or postures during work, which prevent the healthy action of the lungs and heart, (3) prolonged and excessive muscular strain, (4) machinery accidents, (5) working in unventilated or insufficiently ventilated shops, (6) air conditions, including humidity, (7) imperfect lighting and its relation to eye-strain, headache, etc., (8) working with or in the presence of gases, vapors, poisons or other irritating substances, (9) industrial dust and its relation to lung-diseases. All of these factors or conditions, bearing more or less directly upon health and physical efficiency, are subject to control under proper state supervision, inspection, etc.; but all of these conditions are most likely to continue unabated if an inducement is held out to workmen and workwomen to draw sick-pay for more or less prolonged periods of time, possibly even in excess of normal earnings when supplemented by sick-benefit from lodges, fraternal societies, etc. Being primarily interested in the improvement of the health and physique of wage-earners, the committee completely ignores national health insurance and suggests remedial measures, broadly speaking, in conformity to generally accepted principles of public and industrial hygiene; in fact, the committee say in their report that

> Though these are a sufficiently formidable list of disabling conditions, or conditions which without proper care and precaution may readily cause disablement, they do not complete the inventory. At least as important as any of these occupational influences, but inseparable from them, is the predisposition to disease arising from the absence of personal hygiene. The necessities of individual health are few and simple, but they are essential. Suitable and sufficient food, fresh air, warmth, moderation, cleanliness in ways and habits of life, the proper inter-relation of work, repose and recreation of mind and body are laws of hygiene, the elements of vital importance for which facilities must be provided if the maximum industrial output of the individual is to be secured and maintained. These matters need consideration by the management just as much as the healthy supervision of the external circumstances of the factory and its technical processes.

These extracts are sufficient for the purpose of sustaining the important conclusion that a departmental committee, presided over by Sir George Newman, the Chief Medical Officer of the Board of Education, and including such authorities as Sir Thomas Barlow, late President of the Royal College of Physicians, Gerald Bellhouse, Esquire, Deputy Chief Inspector of Factories, Prof. A. E. Boycott, Director, Pathological Department, University College, London, Dr. E. L. Collis, Director of Health and Welfare, Ministry of Munitions, Dr. Leonard E. Hill, Director, Department of Applied Physiology and Hygiene of the Medical Research Committee, and others, did not with all the evidence before it, consider compulsory health insurance a method or a means of rendering substantial aid in the furtherance of the effort to raise the level of health of munition-workers individually or collectively and as a consequence thereof their physical efficiency as a prerequisite to an increase in output. The committee took into full account the indications of sickness as measured, in addition to the clinical signs and symptoms, by the statistical evidence. No evidence derived from the experience under national health insurance is referred to; in fact, no such evidence of this kind has after eight years been made available. The claim frequently brought forward that compulsory health insurance would provide a vast amount of new knowledge has neither been met in Germany nor in England. Even the experience of the Leipzig Communal Sick Fund, which is the only precise information ever made available in Germany as regards the relation of the occupation of the insured person to health, is decidedly inconclusive upon practically all the important questions involved in factory hygiene and industrial disease and industrial accident prevention; but as regards England, no such information whatever has been forthcoming. The Committee of the Ministry of Munitions properly suggests that every case of lost time or absence from work should be recorded and properly investigated. It does not require compulsory health insurance to perfect existing methods of record-keeping in industrial plants both large and small and both under private and under government control. It would not be at all difficult to have every plant keep a simple sickness-register, or a record of absence from work, stating the reasons for such absences and perhaps requiring a medical certificate in the event of absence prolonged over a given period of time. Certainly in government establishments such records could be secured without serious difficulty; in fact, for many large establishments they are available at the present time. In addition thereto a thoroughly qualified analysis of death certificates, according to occupation, race, locality, etc., would disclose much useful informa-

tion in the furtherance of a well-considered program of health and industrial reform. As pointed out by the Committee of the Ministry of Munitions:

> At the foundation of any sound system of dealing with industrial diseases lie two elementary principles: First, that prevention is better than cure; and secondly, that for treatment to be imposed effectively it must deal with the beginnings of disease. Bearing these in mind, the preliminary safeguard should be to provide for the medical examination of all workers in order to secure as far as may be their physical fitness for employment. In some munition works, and especially in those where dangerous substances are manipulated, a preliminary medical examination of all workers is usual. Dental treatment is also sometimes provided. Such examinations are specially important at the present time owing to the strain involved by the conditions of employment and owing to the large number of persons who are taking up industrial employment for the first time; but such examinations are always likely to be desirable where the work involves any special strain, and particularly so in the case of women. Apart from their value in detecting early signs of ailment or defect, medical examinations are valuable as affording convenient opportunity for the inculcation of sound doctrines as to personal hygiene cleanliness and healthy habits. Periodic re-examination is practically confined to certain dangerous trades and processes, the workers in which have to be periodically examined under the Regulations of the Home Office or the Ministry of Munitions. Where they can be arranged for, such examinations might usefully be extended to workers engaged in other processes involving special strain or risk.

It is a perfectly rational assumption that if national health insurance in the opinion of the committee offered a solution of the real problem of sickness in industry, some reference would have been made thereto in what, as has previously been said, is really an epoch-making document in the history of the British labor movement.

The committee properly emphasizes the necessity for physical examinations and reexaminations. As a second step, it recommends a reduction to the minimum of "Any unfavorable conditions obtaining in the factory, by providing proper sanitary conditions and accommodation, safeguarding machinery, controlling hours of labour, furnishing canteen facilities, and securing sufficiently warmed, lighted and ventilated workrooms." Thirdly, it is emphatic in recommending arrangements for adequate medical and nursing schemes. The recommendation itself is evidence that no such schemes have effectively been established under national health insurance, and it is a fair assumption that they would have first been brought into existence in behalf of a class of workers employed in connection with national industries indispensable to the most

efficient conduct of the war. The committee says in this connection that "Medical attendance is obtainable under the National Insurance system, or may be made available by the special provision of a medical and hospital service for the factory. But nursing can only be obtained by the employment of one or more trained nurses to undertake duties in the factory by night as well as by day. Such arrangements have been instituted in many munition factories, especially where women are employed, and they have proved of great value to both employers and employees."

National health insurance, obviously, is considered quite inadequate by the committee, but no opinion is expressed as to the directions in which the system could or should be improved. The committee rather relies upon voluntary effort and a more intelligent conception of managerial responsibility. It points out that it is glad "to recognize the increasing frequency with which nurses are now being employed in factories," but it observes, also, that "the employment of doctors is less common." Whatever is required in this direction is, of course, feasible without national health insurance; in fact, is more likely to be efficient in proportion as no inducement is offered to malingering or feigned sickness. The recommendations of the committee all have reference to established methods and means which have been successful in the past whenever properly applied. They include an extended consideration of the whole problem of injuries and accidents, of special industrial diseases, of cleanliness, ventilation, heating and lighting, of sanitation, washing and cloak-room facilities, of seats, weights, clothing and drinking-water, of welfare supervision for women and girls and for boys and men and of welfare-work outside of the factory.

The report is a model of concise enumeration, and the conclusions are in strict conformity to the facts and every-day experience. The recommendations rest upon the fundamental principle, as stated by the committee, that "One of the vital and pressing problems before the country at the present moment and in the immediate future is the question of the health and contentment, the capacity, status and efficiency of industrial workers, whose contribution to the Commonwealth is of ever-growing importance." All that the committee suggests by way of reform is as readily obtainable without compulsory health insurance as with it. In the main the recommendations of the committee concern the hours of labor, the relation of fatigue to industrial efficiency, the rational employment of women, the proper distribution of hours of employment with necessary breaks, spells, pauses and holidays, the statutory control of Sunday labor and nightwork, and the reduc-

tion of the latter to a minimum, the accounting for lost time, it being observed that "the proportion of time lost through sickness is generally greatly underestimated," and that the suggestion that the causes thereof should be very carefully ascertained and that the remedies required should be sought, though, in the opinion of the committee, "Wages are probably the most important incentive." Finally, there is the question of food and canteens and of the prevention of special industrial diseases, etc. Under the general question of sickness and ill-health the committee observes that any undue proportion of sickness in any group usually represents amongst those not actually sick lessened vigor and activity, which cannot fail to reduce output.

The very brief reference in the report to national insurance is extremely suggestive. National insurance is not referred to as a promising means whereby essential reforms could be achieved, or, in other words, whereby the national health of men and women workers employed in war industries could be raised to a higher level as a prerequisite to a higher degree of industrial efficiency. Quite to the contrary, it must be self-evident that any pecuniary inducement to the prolongation of sickness must tend, in the long run, to increase unnecessary absences from work and to delay, if not prevent, the measures required to eliminate the causes responsible for whatever sickness may occur. The interest in preventive measures will be in exact proportion as the consequences of neglect and indifference are felt by those directly concerned. This conclusion is as true of public hygiene as of private or personal hygiene. In no country where social insurance has been established has the Government courageously faced the question of overinsurance.* Unless all private sickness insurance is absolutely prohibited, the tendency toward malingering must be increased by whatever compulsory system is adopted, for under whatever system of private insurance may prevail the cost of overinsurance is practically prohibitive. When compulsory insurance is obtained at perhaps one-third or two-fifths of its cost there is naturally, however, a strong inducement to secure additional private insurance, so as to provide for the payment of full wages, and even more, during prolonged periods of illness, more or less assumed or pretended or shammed, as the case may be. In England the rule that sick-benefits are payable only from

*It has been said with reference to the question of overinsurance "that in cases of genuine illness a larger income may be necessary than in times of health [but this] even if granted as valid, does not meet the difficulty that during periods which could not be regarded as times of genuine illness, the possibility of drawing more when idle than when at work might furnish an inducement to declare on the funds unnecessarily, when no case could be advanced for the necessity or desirability of more money being available for the household. If it is granted that any excess furnished usually a certain temptation, it may be argued that it is expedient that the maximum sum insurable should be somewhat less than the ordinary earnings of the insured person." (Report of Committee on Sickness Benefit Claims under National Insurance Act. Sir Gerald Ryan, Chairman, page 13.)

the fourth day of illness has also led to very serious consequences. Every authority on malingering sustains the conclusion advanced by Jones and Llewellyn, in their treatise on "Malingering," that "Under the rule that sickness-benefit is only payable from the fourth day of illness we find presented a strong temptation to the weak and unscrupulous to exaggerate the severity or prolong the duration of slight ailments." They observe further that "Before the installation of insurance men and women held in disregard such trivial maladies; but latterly they have tended to magnify all such, though not always with fraudulent intent."

The subject of malingering is a problem by itself. It defies analysis and brief presentation, most of all in non-technical terms. A large portion of malingering cannot be detected or disclosed by the most thorough examination or by the most expert skill. It is rather a question of character, or, as said by Jones and Llewellyn, "a faulty attitude of the individual towards the State." The questions involved are perhaps the most profound and far-reaching that concern labor and life in its modern aspects as the background to individual and collective responsibility of citizenship. By over-emphasizing the State as a functionary the sense of personal responsibility is reduced to a minimum, or, in the words of Jones and Llewellyn, the essential consequence of the change under national insurance has been "a lessening of the grip of men on the principles of justice and equity." The mere complexity of any and every system of social insurance tends to confuse the mind and preclude a rational conception of duties and responsibilities. The sole emphasis is placed upon rights and benefits, usually enormously exaggerated in the case of the sick and injured, who, receiving more than they have paid for, still complain of insufficiency and inadequacy, because of exaggerated notions fostered by professional reformers or radical agitators, continuously insisting upon the alleged injustice on the part of the employer or the State towards the wage-earner, especially those engaged in low-paid occupations.

It would have been the better part of wisdom if the National Health Insurance Act of England had been framed by statesmen rather than by politicians, if it had been made to represent a clearly stated principle of justice rather than a vague notion of necessity and expediency. The word "insurance" was used and is used as a delusion and a snare. A thoroughly well-established social institution of enormous benefit to mankind has its very terminology perverted to improper use and wrongful methods of deception almost without a word of protest from those most seriously concerned. For no matter from what viewpoint the question is considered, national health insur-

ance is *not insurance* in the true sense of the term; nor is it, for that matter, strictly speaking, a health measure, since, as is clearly shown by the evidence, the system does not tend to promote health, but rather the reverse.

The most formidable indictment of the British system of compulsory health insurance is presented in a treatise on "Health and the State," by William A. Brend, M. D., lecturer on forensic medicine, Charing Cross Hospital, London. The work is practically a plea for a thoroughly well-considered plan of national health organization under a Ministry of Health, having primarily for its purpose the ascertainment of conditions predisposing to sickness and premature death and possible measures and means for prevention and control. The treatise includes extended observations on the subject of medical treatment of wage-earners and their dependents (emphasizing the growth and importance of institutional treatment), the present insufficiency of institutional treatment, the medical treatment by the general practitioner, the size of working-class practice and the menace of lightning diagnosis, the absence of expert assistance, the lack of laboratories for expert diagnosis, the futility of treatment in a bad environment, the discontent with the panel system, etc.

The writer considers critically the working of the National Health Insurance Act, with particular reference to public health. He directs attention to the fact, which is in strict conformity to the truth, that "Health legislation in Parliament has always suffered from the almost complete absence of scientific medical criticism and the Insurance Act was no exception to this rule. It is equally true that in its genesis, in its modification in the House of Commons and very largely in its subsequent administration, it has been the work of amateurs, and it contains in consequence the most glaring blunders." Attention is directed to the fundamental fact, which has frequently been overlooked in the public discussion of the measure, that "the main object of the Insurance Act was to improve the health of the working part of the community and by its results in this direction the Act must be judged." It is said that in all probability the National Health Insurance Act was "indirectly the outcome of the report of the Royal Commission on the Poor Laws." but that unusually exhaustive and thoroughly impartial investigation was practically ignored in all the subsequent legislation concerning the welfare of underpaid wage-earners otherwise than in the more or less inadequate attention given to their medical needs under national health insurance. Although both the majority and the minority reports of that commission called attention to the association of poverty with sickness, according to Dr. Brend, "neither

recommended National Insurance as a remedy, nor took the view that poverty was the main cause of ill health." In contrast to other well reasoned conclusions the authors of the National Health Insurance Act, without the advantage of the findings of a royal commission or at least of a departmental inquiry, advanced arguments strongly in favor of the existence of a much more intimate relation between poverty and sickness than is actually the case. After clearly emphasizing the German origin of the National Health Insurance Act, Dr. Brend properly observes that "There is little doubt that if a Royal Commission had been appointed to inquire into the state of public health and the steps necessary to improve it, a very different measure would have been introduced, possibly without including National Insurance at all. The main responsibility for the Act rests upon Mr. Lloyd George, who was absolutely without any experience whatever in matters of public health and related subjects, including insurance." As observed by Dr. Brend, when Mr. Lloyd George introduced the insurance act "he had not held any of the offices which would have brought him into touch with public health affairs." He had been President of the Board of Trade and was still Chancellor of the Exchequer, he had not been President of the Local Government Board, which is the nearest approach to a Ministry of Health, nor Secretary of the Board of Education, an appointment which might at least have familiarized him with conditions of health among children, nor, as far as publicly known, had he made any special study of public-health questions, "or had other experience which would have entitled him to be regarded as an expert. Yet he had constantly advanced opinions upon the most erudite questions which must astound many a medical officer of health." The underlying reason for the strong convictions on the part of Mr. Lloyd George was unquestionably the impression made upon him by the official evidence regarding the alleged success of social insurance in Germany; but his investigations were exceedingly superficial and upon many essential questions he was no doubt deliberately led astray. The same conclusion properly applies to many of those who in entire fairness have in this country given the weight of their indorsement to more or less ill-reasoned suggestions for the establishment of compulsory health insurance. They have been or are being misled by untrustworthy statistics and guesswork opinion, based upon hear-say evidence rather than upon a critical, qualified and strictly impartial analysis of the facts. As pointed out by Dr. Brend, regarding the question of German official opinion, whether representative of the government or of large industries, "as a presentation of the advantages of national insurance in Germany it is

entirely unconvincing and inadequate." "Yet" he observes, "it was the sole evidence of this kind which was placed by the Government before the country previous to the passing of the Act which was to apply compulsion to one-third of the population and cost many millions annually."* The National Insurance Act of Great Britain confers enormous powers upon the Insurance Commissioners, equivalent if not superior to those of Parliament itself. In the words of Dr. Brend, "The administration has been allowed to assume a degree of complexity which baffles comprehension; the medical service is notoriously inadequate and inefficient, while the public health aspects of the Act have been almost lost sight of. Doctors and chemists, insured persons and society officials, are all alike dissatisfied." There are no reasons for believing or assuming that the results of such a measure would be less disastrous, and probably much more so, in this country than in Great Britain.

As a public-health measure national health insurance in Great Britain has been a conspicuous and indisputable failure. Not one iota of evidence has been forthcoming that national health has been improved in any specific direction whatever. Not even the anticipated statistics of the sickness of wage-earners, with a due regard to causes and conditioning circumstances, have been forthcoming. The supremely important subject of industrial hygiene and all that has reference thereto under national health insurance has not derived any advantages therefrom whatsoever. In so far as the official publications present evidence to this effect, the original intention to form local health committees for administrative purposes was soon discarded and insurance committees were appointed in place thereof, without any specific assignment of duties or responsibilities having reference to the public health of the wage-earning portion of the population strictly concerned in the administration. Having failed as a public-health measure the act has been equally unsatisfactory as a measure designed to improve the medical treatment of those afflicted with disease among the wage-earning portion of the population. As observed by Dr. Brend, "The standard of treatment among the insured class is no better than that which prevailed before the passing of the Act." What constitutes "adequate treatment" is not defined, but under the rules of the Insurance Commissioners adequacy is assumed to represent treatment of a kind "which can consistently

*In the preface to a treatise on "Insurance versus Poverty," by L. Chiozza Money, Mr. Lloyd George has placed on record his conviction that "In Germany the inception of the scheme was not unaccompanied by discontent, unpopularity and gloomy prophecies. Its success is now triumphant, unquestioned alike by employers and employed. It was from Germany that we who were privileged to be associated with the application of the principle to the United Kingdom found our first inspiration, and it is with her experience before us that we feel confident of the future."

with the best interest of the patient properly be undertaken by a practitioner of ordinary competence and skill." This definition does not square with the intentions of the Act, and in consequence the standard of medical practice has not been raised, but in all probability it has experienced a decided lowering, particularly in the case of panel doctors having a much larger number of clients than they can possibly adequately care for. There is no provision in the Act to provide the services of consultants, surgeons, gynecologists, or any form of institutional treatment, except for tuberculosis. There can be no reasonable question of doubt but that decidedly better results would have been secured under a whole-time state medical service, under which at least the wage-earning portion of the population would have of right been entitled to whatever medical services would be necessary to produce, if possible, a speedy and permanent cure. Such a service could have come into existence without the elaborate, costly and largely superfluous administrative machinery which hinders rather than helps the attainment of the objects and purposes for which national health insurance came into existence. As stated by Dr. Brend, after pointing out that the insufficiency of the medical service is not the only evil, "The panel system has increased the element of commercialism in medical practice; it has done nothing to strengthen the interest of the doctor in the scientific side of his profession; it has led to considerable ill feeling between non-panel and panel practitioners; and it has brought about the evil foreseen from the first, that of establishing a distinction between the rich man's and the poor man's door."*

*It is strongly suggested to all who desire accurate information on the panel system that they consult the recent issues of the British Medical Journal and especially the issues of October, 1919, to February, 1920, containing the discussions with reference to the proposed terms of remuneration and the new medical benefit regulations.

APPENDIX A

Some Lessons of the German Failure in Compulsory Health Insurance*

Mr. President and Gentlemen: I am glad of this opportunity to address you on a matter to which I have given perhaps as much time and thought as any one in this country. I happen to have been born in Germany and to have grown up to eighteen years of age during the period when health and social insurance was first thought of and was first developed in its initial state. I left Germany in the year 1884, when the first social insurance law went into effect. I left very largely because of the preliminary condition, which, in my judgment, even then immature as it was, would have made any future existence in that country incompatible with any sense of personal independence whatsoever, and if I have been opposed and am opposed to the movement for compulsory insurance in this country, it is not because of my professional interests in The Prudential Insurance Company of America. I am opposed to compulsory insurance for the reason that it is without question the most needless interference with the social and economic life of the people and that constitutes one of the deliberate forces making for autocracy.

The primary purpose of the establishment of compulsory social insurance in Germany was to hinder the rise, curtail the powers and ultimately destroy the Socialistic movement, chiefly as represented by the political activities of the Social Democratic Party. It was conceived by the imperial régime as a paramount necessity to stabilize and perpetuate the imperial throne and as a condition precedent to the secret projects of the military powers for world conquest and imperial aggrandizement. By means of a cleverly devised terminology and downright methods of deliberate deception, the German working people were deluded into the belief that the so-called system of compulsory health insurance was primarily intended for their benefit as the most effective means of social amelioration. Yet, what was called social "insurance" was never a true system or method of insurance in the universally accepted sense of the term as derived from the Rhodian Sea Laws, in which the principle of equitable contributions proportionate to the benefits secured was first laid down and laid down for all time. But the recognized social value of insurance methods was clearly realized by the German government and utilized as a means of establishing the most drastic, burdensome and unnecessary system of *social control* conceivable, even under the régime of an imperial and military autocracy, for in all the autocracies of the past the government concerned itself chiefly with the control of the person for military purposes and the auxiliary exercise of the taxing power to secure the required revenues for military needs. The German government, clearly realizing in the rising tide of German democracy a serious menace to the imperial throne, relied upon the system of compulsory social insurance to bring about the complete subjection of German wage-earners to the will and the whim of the vast bureaucratic, and, of course primarily political, machine organized in connection therewith. For some thirty years the government succeeded in thus fostering the popular delusion that compulsory health insurance was really serving the social needs of the German people,

*An address by Frederick L. Hoffman, from the Proceedings of the Third Annual Meeting of the West Virginia Manufacturers' Association, Huntington, W. Va., January 16-17, 1919.

because of the social progress attained by them, in response to increased intelligence, successful international competition, opportunities for foreign trade, a high protective tariff; all fostering German industries, and individual advancement, naturally desired by every man and woman above the level of the brute.

The spirit of Socialism in Germany was, however, not diminished, but quite to the contrary strongly accentuated by social insurance, which did not remove the true and underlying causes of social unrest. In 1884, when the social-insurance system came into existence, the Socialistic vote was 550,000. In 1912, and regardless of every effort at suppression and discouragement, the vote was 4,250,000. Socialism had its rise in Germany largely because of intolerable social and political conditions, ignoble class distinctions and autocratic interference in the private affairs of the people. As has well been said by a brilliant French writer on Anglo-Saxon superiority, M. Edmund Demolins, "Socialism is essentially a product of German origin and manufacture—its center of formation is in Germany; it is from Germany that it permeates the world." And, as observed by a member of the Reichstag, Bamberger, "A remarkable thing is that Socialistic ideas have found nowhere a better welcome than in Germany. Not only do these ideas fascinate the work people, but the middle classes cannot resist them, and we often hear persons of that class saying 'Why, indeed, perhaps everything may go on better thus; why should there not be a trial?' Moreover, Socialism has reached the upper classes; it has a seat in the academies; it speaks from the lecture chair in the universities." Also, in the words of Demolins, "It may be said that the genera of Socialists are to be found in Germany—Revolutionary Socialists, Conservative Socialists, Evangelical Socialists, Catholic Socialists, who lecture in the very universities. Such a general and varied blossoming is proof enough that this plant has found in Germany a most favorable soil for its growth and efflorescence."

The foundation document of German social insurance was signed by Emperor William I on November 17, 1881. The armistice terminating the world war was signed by a Socialist in behalf of the German people on November 11, 1918. The paternalistic system had been tried and been found wanting. Though but half-realized even now, the pseudo-Socialistic order established by the fiat of the government, was ended for all time. As foreshadowed by Demolins in his praise of Anglo-Saxon superiority and private initiative and self-help, "The social problem is not solved by tending assistance to individuals any more than the secret of life consists in keeping ourselves alive by dint of swallowing drugs. Neither assistance nor drugs is a natural or a normal means of sustaining life. It is true wisdom to manage without artificial aids."

All compulsory social insurance rests upon profound misconceptions of life and labor in a democracy, for it involves the establishment of a permanent class distinction in precisely the same pernicious manner as class distinctions were established in England under the Poor Law of 1601. Social insurance in Germany was never more than a carefully designed but most insidious form of poor-relief, or supplementary grants-in-aid, required to amplify insufficient incomes or to offset unwholesome or otherwise detrimental environmental conditions. The relative improvement in these conditions in Germany during the last forty years was unquestionably remarkable, but, nevertheless, in decided contrast to the more thoroughgoing social and economic progress of Great Britain and the United States and other industrial nations of the world. In place of a state policy, aiming deliberately at a higher standard of living among wage-earners and their dependents, as fundamentally conditioned by higher wages, shorter hours, a lesser proportion of children and married women at work, a

more wholesome system of housing compatible with modern conceptions of home life, better and more nutritious food and at lower prices, the deliberate control of the drink evil, prostitution, public lotteries, etc., the late German Imperial Government chose the fatuous course of a system of amelioration and relief, cleverly designed under high-sounding terms of welfare and insurance, in place of conceding the rightful exercise of true personal and political freedom inherent in the life of the people of any and every modern State.

The system was a failure even in the direction in which it had been anticipated it would be most successful. The amounts paid out in the form of relief were, broadly speaking, inadequate or insufficient to provide the workman concerned or his family with the required degree of economic security common to the people of this country. The medical attendance was far from being the high degree of intrinsic medical skill, called for in conformity to the remarkable progress in modern medicine and surgery. The low average earnings of most of the members of the medical profession in Germany were out of all proportion to their social and professional status. They, indeed, perhaps more than any other element of the German people, deliberately exchanged a condition of relative freedom for absolute bondage. The so-called panel system resulted in the entrenchment of mediocrity in medical service by discouraging the fullest exercise of unusual skill. Another and truly lamentable result of German compulsory sickness insurance was to bring into existence a vast amount of alleged illness, or an exaggeration of the relative importance of minor ailments, involving enormous and largely unnecessary disbursements, followed in certain industries at least by serious difficulties in international competition. No wonder that, with a full understanding of the fragile fabric erected with such consummate skill in false pretense and elaborate deception the late German Imperial Government should have initiated and supported with an abundance of means a subtle propaganda for the organization of corresponding institutions or methods in all the industrial countries with which her people were in constant and often strenuous international competition.

But the propaganda failed, at least in this country, just as it deserved to fail in other countries, particularly in the United Kingdom, where, unhappily, in response to ill-considered suggestions, a plan of compulsory health insurance was adopted in 1911. In the words of Dr. William A. Brend, author of a standard treatise on "Health and the State," written largely with reference to the pernicious effects of national health insurance,

> The National Health Insurance Act is the most ambitious piece of public health legislation ever carried through in this country. No previous measure has directly affected so large a number of persons, involved so great a cost, made such demands upon administration, or been introduced with such lavish promises of benefit to follow, and no previous measure has ever failed so signally in its primary object.

In explanation of his views, based upon large experience, patient inquiry and impartial consideration, he remarks that

> Probably the greatest obstacle to the development of a sound and comprehensive scheme for protecting the health of the community has been the failure of legislators to appreciate the complexities and difficulties of the questions with which they are dealing. Public health is a science which demands years of study for its understanding; many of its problems are obscure, and often the seemingly apparent remedies for its defects may be more harmful than beneficial. Health legislation in Parliament has always suffered from

> the most complete absence of scientific medical criticism, and the Insurance Act was no exception to this rule. In its genesis, in its modifications in the House of Commons, and very largely in its subsequent administration, it has been the work of amateurs, and it contains in consequence the most glaring blunders.

What is true of England is even more true of Germany. Compulsory health insurance did not improve the health of the working portion of the community, nor did it materially raise the standard of public health. All the more conspicuous and gratifying results in the improvement of social conditions, the lowering of the death rate, the gradual eliminating of preventable diseases, etc., were secured more effectively in this country and entirely without compulsory insurance than in Germany or the United Kingdom, in consequence of the establishment of pseudo-insurance institutions ostensibly serving public-health purposes. Most of the social-service institutions which have come into existence in Germany under social insurance have been established in this country in consequence of an aroused social consciousness, such, for illustration, as far better hospitals, better infirmaries, better dispensaries, better safety-first rules and regulations, etc.

In its financial aspect the system presents at the present time a condition of hopeless chaos. The German government has not published a thoroughly digested analysis of its social-insurance experience, or presented full financial statements, with a due consideration of every important element of cost. By a skilful process of financial juggling, it has so interrelated the workings of the different social-insurance institutions that it is impossible to disentangle the statistical evidence, all of which is more or less confusing and inconclusive. The German government encouraged in every way the belief that the expense of administration was comparatively slight, by carefully disregarding the shifting of the incidence of true costs, to other administrative bureaus, or departments, or branches, of the government. The enormous army of officials brought into existence under such an extremely complicated system resulted necessarily in a material increase in taxation, not reapportioned or properly reapportionable to the different branches of the social-insurance system. By the issue of a veritable flood of official publications on the compulsory insurance system the German government for years carried on a most successful propaganda in favor of the extension of the system into other countries of the world. Appealing successfully to the non-critical mind of the average investigator, or so-called social reformer, the official statements emanating from the German government soon became the current form of praise and flattery of the system on the part of those in authority, leaders of thought and public opinion, but in bitter truth unworthy of public confidence and trust. Commissions sent abroad to investigate the system at considerable expense, generally returned only with so-called "evidence," easily secured from official sources, frequently with the skilful aid of German "experts" in the employ of the late Imperial Government. Elaborate treatises on "The German Workman," "Social Insurance in Germany," "Medical Benefit in Germany and Denmark," "Workmen's Insurance in Europe," "Insurance and the State," "State Insurance," "Recent Industrial Progress in Germany," etc., one and all reflect rather the insidiousness of the German propaganda and the pernicious influence of German thought than the originality, the ability and the intellectual honesty of the writers essaying upon a subject obviously quite outside of the range of their full understanding.

American economists, mostly with training in German universities, practically one and all have sounded the praises of the German system of social insurance, of

German methods of social reform and of German principles of social reconstruction, with faint praise or scant appreciation of what has been done and is being done in the United States, and in conformity to the free institutions of our republic and the fundamental principles of a genuine democracy. The one notable exception, perhaps, is the clear and penetrating grasp of President Arthur Twining Hadley, of Yale University, who in his treatise on economics, as early as 1897, said: "There are many reformers who are anxious that other countries should follow the example of Germany. But the experiment has not progressed far enough to pass judgment on its success. In many respects the gain to the public from a system of this kind is more apparent than real. The payments to the insurance fund must chiefly, if not wholly, come out of wages. Even though they may be nominally levied on the employer, he is compelled by competition with other employers who are not subject to this levy to reduce in corresponding degree the revenues which he pays." As high an authority as Professor Taussig, in his "Economics," concedes that "The outcome is likely to be that the (compulsory) insurance charges will ultimately come out of the workman's own earnings. This will take place and not necessarily by any process of direct reductions in wages, but more probably in progressive countries like Germany and England by a failure of wages to advance as much as they would otherwise do."

At root the compulsory insurance problem is first and last a labor question. If the social condition of labor is, broadly speaking, as satisfactory as it generally is throughout the United States, the necessity for a subsidized form of poor-relief in the disguise of social insurance obviously does not arise, even remotely as a matter of political expediency. But in countries with low standards of labor and life, with a government administered by an entrenched autocratic governing class, remote from the life and labor of the wage-earning element, the compulsory insurance principle is quite likely to appeal as a panacea or a solution, even though, as in Germany, it prove merely the means of postponing the inevitable disaster for a generation or two. For the principle itself is unsound and has been proved unsound, because it does violence to the universal law of all social progress, that "Nothing but the slow modification of human nature by the discipline of social life can produce permanently advantageous changes," and it is equally true, in the words of Herbert Spencer, that "The root of a well-ordered social action is a sentiment of justice which at once insists on personal freedom and is solicitous for the like freedom of others." "Unhappily," he observes in connection therewith, "there at present exists but a very inadequate amount of this sentiment," but in the successful fostering of sentiments of justice, independence and self-reliance lies the future safety and perpetuity of our democratic institutions and the republic which rests upon them. The failure of social insurance was precisely the disregard of fundamental principles of social justice and the inherent wrongfulness of class distinctions, making vast numbers helplessly dependent in matters of vital concern upon a small governing class, thoroughly entrenched and determined at all costs to hinder the true social and political development of the masses. Whether the system will be continued under the new régime is, of course, an open question. If there should be, as contemplated by certain radical elements more or less in control, a repudiation of war obligations in which most of the funds have largely invested, the entire fabric obviously would collapse. Since these institutions represent chiefly wage-earners' investments, this course, however, is not likely to be pursued. But if, as is practically a foregone conclusion, the internal debts contracted in consequence of the war shall be ultimately reconverted with substantial reductions both in amount and in interest earnings, the outlook for the future of social-insurance

institutions is decidedly alarming. For naturally, in consequence of the war, both the sickness and the mortality rates have been considerably increased, aside from a clearly recognized physical deterioration of the German working people, men and women, best emphasized in the following extract from the medical report of one of the sanatoria under the control of the Munich Communal Sick Fund, to the effect that "Nearly all of the patients arrive at the institution in a more or less alarming condition of under-nourishment. Many of them, also, exhibit unmistakable signs of war consequences in the greater frequency of occurrence of nervous diseases."

Confronted with a possible substantial loss in their investments, a decline in interest earnings, the practical certainty of the deferred payment of such earnings on war obligations, a higher death rate, particularly in adult life, a material increase in general morbidity, as well as in premature invalidity, together with diminished contributions from those incapacitated for work, while at the same time in need of increased support, the German social-insurance institutions face the practical certainty of disaster, now or in the not far distant future, as the case may be.

The profound conviction that the German cause of world conquest was largely conditioned by the German conception of so-called social or compulsory insurance, equivalent to the social control of the wage-earning element and the establishment of permanent class distinctions, as a prerequisite to the perpetuity of autocratic imperial military power, finds ample support in the statement issued by the late Imperial Chancellor in his first address to the German parliament as recently as October 6, 1918, when he said in part that:

> At the peace negotiations the German Government will use its efforts to the end that the treaties shall contain provisions concerning the protection of labor and insurance of laborers, which provisions shall oblige the treaty-making states to institute in their respective lands within a prescribed time a minimum of similar, or at least equally effective institutions for the security of life and health as for the care of laborers in the case of illness, accident or invalidism.

The German delegates to the peace conference will be given no opportunity of presenting proposals to this effect. They will be more seriously concerned with questions involving the very fact of their future political existence and the permanency of peaceful relations with the remainder of mankind. The German propaganda for the extension of compulsory health insurance, particularly into countries like the United States, will have come to an end. The subtle menace of the further spread of German ideas of government and social control may now happily be considered a thing of the past. The emphatic verdict of the American people has been rendered upon the numerous proposals which have been made for the establishment of compulsory health insurance in this country, of which a most assuring as well as conclusive expression is the defeat of the proposed constitutional amendment in the State of California by a vote of nearly three to one. For to the American propaganda for compulsory health insurance applies with entire truth the dictum that it was "made in Germany" and sustained by German interests, governmental or otherwise, concerned with its universal adoption in the United States. While thoroughly condemned by Mr. Samuel Gompers, President of the American Federation of Labor, and not approved by the American medical profession, nor endorsed by American business interests, this alleged panacea of social reform has been offered to one State after another by the American Association for Labor Legislation in the City of New York, regardless of all the evidence that the system is neither needed nor wanted by the mass of American wage-earners and their dependents. In a manner thoroughly

undemocratic and opposed to the first principles of a representative form of government, this association and individuals allied to it continue to flood the country with misleading assertions, with cleverly disguised fallacies, supported by the wrongful use of names of men of authority, whose opinions at best but represent merely a desire to support any measure or means whereby the social condition of the people may be improved.

The most dangerous tendency in American public life today is the irresponsibility of public utterances on the part of men and women in positions of authority, whose judgment is relied upon by the public and accepted in good faith, but who speak neither with the knowledge nor the understanding sufficient to essay upon many questions and problems which seriously concern the future welfare of our people. Our own failure in academic and intellectual honesty is as serious and as sinister as the failure of the German system of social insurance, which happily concerns only the German people. As a concrete illustration, I cannot do better than direct attention to a treatise very recently issued on "Social Insurance in the United States," by Gurdon Ransom Miller, Ph.D., Professor of Sociology and Economics and Dean of the Senior College, Colorado Teachers' College. This book bears an editor's preface signed by Frank L. McVey, Ph.D., LL.D., President of the University of Kentucky, who concludes with the opinion that the author of the work "has done an interesting and worth-while piece of work that will find a place in the series of handbooks on social science, of which it is one." It is my own deliberate opinion, based upon a thorough, critical analysis of the work, that it is a grave imposition upon the credulity of the American public and a thoroughly unworthy and grossly misleading contribution to social science, whatever in the broad or restricted sense of the term that may be. There is not a page in this book which is not full of errors, there is not a single conclusion advanced which is in strict conformity to the facts, but throughout it breathes the subtle poison of intentional plagiarism, of clever manipulations, of extracts from partisan publications on the subject, chiefly those of the American Association for Labor Legislation. The book itself contradicts the author's assertion that "Today our best thinking on social problems is guided directly or indirectly by university influence." The health-insurance amendment proposed to the people of California was decisively defeated, regardless of the fact of a last public appeal to the voters, full of misstatements in matters of fact and concrete inference, signed and widely disseminated over the signature of the President of Leland Stanford University!

All of the so-called evidence in favor of social insurance has been derived chiefly from official but inadequate sources, with a deliberate disregard of the truth, readily available, proving conclusively the disastrous consequences of the German system upon the mind, the life and the labor of the German people. It would be quite impossible within the limitations of time to do justice to this aspect of the present discussion and what follows is of necessity restricted to compulsory health insurance, but with the evidence practically down to date. It would also be impossible to further enlarge upon the evidence from reliable sources, which is conclusive and which may be briefly summarized as follows:

Instead of effectively suppressing social democracy throughout the German Empire, the social-insurance institutions merely served the purpose of furthering the spread and more general acceptance of radical Socialistic doctrines, sustained by the feudalism and paternalism of the late German Imperial Government. When social insurance came into existence the Socialistic Party vote was approximately half a million, whereas at the outbreak of the world war the voting strength of the Socialists had

reached four millions and a half. While paternalistic social insurance was inaugurated by an imperial message signed by William I, it came to an end by the abdication of William II and the abject surrender of the German military régime in the armistice bearing the signature of the leader of the Socialistic Party!

Instead of lessening the prevailing amount of social unrest, the social insurance institutions merely increased the demand for additional benefits out of all proportion to the intrinsic value of the financial contributions made by employers and employees.

Instead of substantially improving the economic condition of German wage-earners, the benefits provided through social insurance were never adequate to meet more than the requirements of a minimum standard of life.

Contrary to wrongful assertions concerning the physical progress of the German people under social insurance, the comparative statistics of physical well-being prove conclusively the prevalence of a large amount of constitutional diseases, lack of disease resistance, want of normal physical development, etc.

In the direction of sanitary reform the corresponding progress throughout the United States was measurably in advance of German achievements. The German death rate under social insurance has not been diminished proportionately to the decrease secured in this country in response to a far-sighted and more liberal public policy.

Since the outbreak of the war tuberculosis has rapidly increased throughout Germany and the institutions established for tuberculous wage-earners have been largely utilized for war and poor law purposes. The number of patients treated and the amounts heretofore provided for tuberculous wage-earners under social insurance have since 1914 been reduced by more than one-half, while the amounts raised for these purposes have been diverted to war charities.

The condition of the medical profession throughout Germany has not been materially improved, but quite to the contrary the ethical standards have been perceptibly lowered, attaining in some communities to the proportions of a positive public scandal. The better professional element has been discouraged by the opportunities extended to the more unscrupulous to encourage malingering and fraud and wide-spread imposition upon the funds.

The sickness rate among German wage-earners has not been reduced, but remains at a figure far above any corresponding conditions of ill-health disclosed by impartial investigations in this country. In many of the funds more than half of the wage-earners will claim sickness and medical benefits throughout the year.

In consequence of the industrial changes resulting from the war, a large number of women, children and aged persons have been admitted to membership in the sickness and invalidity funds under conditions opposed to conservative management.

Not only has the government been reckless or indifferent in the general administration of the funds, but there has been the utmost tolerance in permitting expenditures for war-charity purposes, out of all proportion to the financial resources of the funds.

If reckless in the direction indicated, the late government virtually looted the accumulated funds, especially of the invalidity-insurance institutions, by insisting upon the compulsory investment in war loans. The social-insurance institutions subscribed one and a half billion marks to the first seven war loans, and at the present time the invalidity-insurance institutions have apparently over half of their investments in war obligations. Since the institutions lost considerably in the sale of first-class securities, which were replaced by war loans of doubtful intrinsic value, the ultimate losses from these sources will unquestionably be very considerable.

In the industrial accident branch of social insurance, the government has approved very substantial reductions in the assessments as a matter of war necessity, regardless of an increase in accident frequency on account of the employment of women, children and aged persons without previous factory experience.

It is a foregone conclusion that German wages must suffer a very substantial decline in consequence of the war and the readjustment of international relations, more or less burdensome to the German people. Since the whole social-insurance system rests upon the compulsory deduction from wages, on the one hand, and the compulsory contributions by employers, on the other, the inference would seem justified that if the products of German industry are in the future to meet international competition, the burdens of social insurance will have to be materially reduced. But, on the other hand, the increasing economic distress, the large proportion of more or less dependent war invalids, the large increase in the number of widows and orphans in need of financial support, will require rather an increase than a diminution of the benefits likely to be derived from the social-insurance system.

After all, the most lamentable consequence of social insurance in Germany has been the measurable lowering of the social and individual morality of the German people. The system in every direction has fostered dishonesty, deception and dissimulation. Imposition upon the funds, the drawing of sick-pay during periods of unemployment as the basis of certificates of illness wrongly issued by attending physicians, had become the rule rather than the exception throughout Germany at the outbreak of the war. Numerous investigations made by impartial inquiry reveal the wide-spread practice of malingering, frequently attaining to half the proportion of all the sick claims, chiefly made for short periods of time and involving in the aggregate enormous burdens upon German industry.

The German experience proves the inadequacy of social insurance as an effective means of securing the required degree of continuous social progress demanded by modern standards of labor and life. The fundamental principle of such progress is social justice and the largest measure of political and social freedom consistent with the security, the well-being and the happiness of all. The German experiment in paternalism and coercion sounds the most convincing note of warning to other industrial countries, where under free institutions, under conditions of voluntary service, savings and self-sacrifice, infinitely better and more lasting results have been achieved. It is devoutly to be hoped that the warning will be heeded by the American people and that they will develop a strong and thoroughly effective opposition to any and every tendency towards autocracy, paternalism and coercion, under the plea of Social Insurance as inherently hostile and fatal to our traditional conceptions of personal and political liberty in a democracy.

At every international exposition for the past thirty years Germany has had elaborate exhibits in the advocacy of social insurance. At St. Louis Germany had an exhibit later presented to Harvard University for the ostensible purpose of teaching a new system of social amelioration, which in fact is radically opposed to our own.

My plea is that you seriously consider these questions, and that you do not allow them to be treated with indifference and to go unchallenged. West Virginia may be the last State to adopt social insurance or it may be the first. We never know which State in an unguarded moment may take some parental interest in a measure that on its face seems to be for the benefit of the people.

If, on the face of it, it will seem to do so much good and to protect the people in sickness and in old age, why not adopt it? But one thing is sure the manu-

facturers will pay for it, and the State will pay. I leave it to you as the most serious business concern that faces you at the present time. The larger employer may not have the same difficulties as the smaller employer, but unless you gentlemen think about it and establish a real understanding of all that is implied in this propaganda, you may find sooner or later that what now is mere propaganda has become law, has become a fact, and has become a menace to the extent that what you cherished most by way of personal initiative, private enterprise and private control has gone as the liquor interests will have gone when the necessary number of states have adopted the prohibition amendment.

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